

**INSIDE: DRUGS AND VIOLENCE IN MONTREAL**

# Maclean's

MARCH 24, 1986

CANADA'S WEEKLY NEWSMAGAZINE

\$1.75

## Straight talk at the summit

**shamrock II:  
a test of friendship  
at the top**

**The special  
dilemmas of defence  
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**Prime Minister Brian Mulroney**





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CANADA'S WEEKLY NEWSMAGAZINE

# Maclean's

MARCH 24, 1991 VOL. 39 NO. 12

## COVER

### Straight talk at the summit

Prime Minister Brian Mulroney faced major challenges, difficult negotiations and a test of friendship at his second annual summit meeting with President Ronald Reagan in Washington. Major issues: how to restore momentum to free trade talks, resolve differences over and won pollution and weapons friction on military and territorial fronts. —Page 10

COVER PHOTO BY MICHAEL GOODMAN FOR JLS



**Montreal's big cocaine fix**  
 Highly organized Colombian cocaine traffickers have become a powerful new force in Montreal's complex and expanding illicit drug trade. —Page 24



**The power of the analysts**  
 Market analysts can make fortunes for investors or undermine struggling young companies with their recommendations to buy or sell a stock. —Page 26



**Just call her Sam**  
 Actress Marcel Hinzberg plays the anonymity of her husband's nickname for her so much that she named her Manhattan restaurant Sam's Café. —Page 48

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**A spell of cartoon magic**  
 Next week Canada will extend the world of its present in animation. While the Toronto-made *Care Bears* II picks film theatres, *The Big Bear* competes for an Oscar. —Page 57



# LETTERS

## Risky business

I must take exception to your *Magical Moments* about Saudi Arabia Oil Minister Sheikh Ahmed Zaki Yamani's "economic war" ("Yamani's nasty way," From the Editor's Desk, March 31). If it was okay for us to rock it to the Saudis before 1973, when Aramco, a large American oil company, held a monopoly on Saudi oil production, why is it not okay for the Saudis to play the same game with us now? This game is called capitalism, not "economic war."

—PETER WELTMAN  
London, Ont.

## A controversy continues

As readers on your Feb. 10 cover saw, your justification of the use of the picture of Grace Garrison rates as the lowest form of rationalization I have ever read ("A cover controversy," From the Editor's Desk, Feb. 24). Presumably the reason you should not have used her picture is because the story was a tragedy. She was entitled to the respect to be able to grieve quietly. —BLAKE DODDAR  
North Vancouver, B.C.

The only thing that I found more offensive than your Feb. 10 cover photograph of Christa McAuliffe's mother was your feeble attempt to explain away the criticism. Your readers cared enough to voice their concerns. They deserve an apology, not excuses. —SARA STRAIN  
Capehorn, B.C.

I was genuinely surprised at how vehemently my fellow *Maclean's* readers criticized the Feb. 10 cover (Letters, Feb. 26). To me, the picture of Grace



Yusef Karam playing the saxophone

Karam symbolized the shock, grief and sadness that all Canadians and Americans felt when the most tragic space disaster in history took place.

—DOROTHY THURAN  
Toronto, Ont.

By what logic do you conclude that Grace Garrison became "a shadow" part of a major news event? She was the proud mother of an exceptional daughter. Should she have stayed at home? It was the media that made her part of a major news event. —THOMAS MATTHEWS  
Victoria

This is to express my appreciation for your Feb. 10 editorial, "The tragedy of death." Especially meaningful was your beautiful reference to President Reagan's paraphrasing of John O'Sullivan: "We're in a position to 'kiss the earth' by the way of death." This is to me a comforting truth in contrast to all life's tragic experiences.

—JAMES H. TYLER  
Lawrence, B.C.

## Made in Canada

In your article "Hollywood's new back lot" (Cover, Feb. 17), you refer to *Dennis* as a U.S. film. *Dennis* is a certified Canadian-owned film produced by Astral Film Productions Ltd. and The Bryna Co. It was shot entirely in Alberta. We were very proud to have been able to do this film as a Canadian feature.

—ANDREW GREENBERG  
Vice President,  
Planning and Acquisition,  
Astral Film Enterprises Inc.  
Montreal

*Letters are edited and may be condensed. Writers should supply some address and telephone number. Mail correspondence to: Letters to the Editor, Maclean's magazine, News Canada Bldg., 100 Bay St., Toronto, Ont. M5P 2H7.*

# PASSAGES

**1949:** Actor Ray Milland, 39, who won a last-actor Oscar for his portrayal of a hardened alcoholic in the 1945 film *The Lost Weekend*, of cancer, in Torrance, Calif. Milland had been a jockey leading man before he surprised the film industry by taking on the role of a drunken con artist in a three-day delaying action in *Milland*—the first Hollywood film to treat alcoholism as a serious subject. Later in his career Milland switched to character roles: he was a homicidal husband bent on murdering Grace Kelly in 1954's *Dial M for Murder*, and he played Ryan O'Neal's dear father in *Love Story* (1970).

**1950:** Rian Sanger and harmonica player Sonny Terry, 34, who played an important part in the folk music revival of the 1940s and 1950s, of renal failure, in Mayfield, N.Y. After he was accidentally blinded in his youth, Terry took up the harmonica and learned to imitate the sounds of animals and trains before going on to blues playing. In 1939 he teamed up with guitarist and singer Brownie McGhee, an association that lasted 50 years. The two appeared on Broadway in the 1950 production of *Go on a Ride With Sonny* and later were in the 1970 film *The Jerk*. Terry also appeared in the 1965 film *The Color Purple*.

**1952:** Canadian Myron Cohen, 53, a favorite of nightclubs and resorts around the United States, of heart failure, in New York, N.Y. A former salesman, Cohen was discovered in 1944 by Harry Adler, who later became his agent, while doing a radio routine of celebrity impersonations. Over the years he worked in clubs in Las Vegas, Lake Tahoe, Atlantic City and the Canals, and made occasional TV appearances on *The Ed Sullivan Show* and *The Tonight Show*.

**SLEEPING DOWN:** New Democratic leader, an MP and a 10th House leader, at the next general election. Dennis, 37, for the Ontario riding of Hamilton Mountain since 1980, said last week that he would not seek re-election because of his disillusionment with the politics practiced by the Conservative government.

**DISMISSAL:** An application for an injunction against Toronto publisher company King Porter Books Ltd. to prevent publication next week of a book on the *DeLoach* *Blackburn* murder trial, *Conspiracy to Murder*, by Toronto Star reporter Heather Bird, 36. The application was submitted to the Superior Court of Ontario by Gary Trudell, lawyer for Gary Fishby, a co-implicated in the case, pending his client's full trial, and was dismissed by Justice Robert Naiman for unfounded reasons.



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**Q&A: DAVID CROMBIE**

## Loosening the ties

After 31 months as minister of Indian affairs and northern development, David Crombie has met with virtually all Indian groups in Canada—usually on their own turf. Crombie, 47, has also travelled widely in the Canadian Arctic and visited Greenland. His enthusiasm has won him praise from the more than 260,000 status Indians and 24,000 Inuit. However, last November, opposition

Maclean's: There are now proposals from about 60 bands who want similar self-government agreements.

Crombie: It was like spinning a top. Our difficulty is finding the time to give honest, serious attention to them in the time that Indian communities are looking for.

Maclean's: Your department is being drastically cut back in order to transfer



Crombie in his Ottawa office: time for communities to stick themselves together

critics accused Crombie of conflict of interest after William Marshall, his former aide, was hired to a consulting firm that was to receive more than \$100,000 in federal funds for a trade show for native entrepreneurs to be held in Toronto in June. In January much of the preparation for the show, estimated to cost \$1.5 million, shifted to native consultants. Maclean's Ottawa correspondent Kim MacQuinn recently interviewed Crombie in his parliamentary office.

Maclean's: In the past month you have negotiated discussions on self-government with Indian bands in British Columbia, Manitoba and Ontario. How does this mesh with federal commitments to respect native constitutional rights?

Crombie: Our approach is this is community-based. In a sense, we have our purposes. One is to deliver Indian self-government in a kind of day-to-day, week-and-month way. Another is to strengthen the argument that constitutional self-government for aboriginal people is something to be welcomed.

to Indians greater control over their lives and governments. What will be left of the department in five years?

Crombie: The Indian affairs program is about 5,000 people and we're talking about cutting 60 per cent. Essentially, it's a process of transferring power, authority and responsibility. It has got to be done with negotiations between the government and Indian communities.

Maclean's: When the decision was made to close the district office in Williams Lake, B.C., and responsibilities were split between local native councils and the regional office, there were complaints that Indians were having to make do with about two-thirds of the people that the federal government had used to run the program.

Crombie: The Williams Lake transfer was not well-handled. The principle is 80 per cent clear. That is, there will be as a minimum, the equivalent of what it took for the federal government to run and operate programs Indian people will receive no less.

Maclean's: How is morale in your de-

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partner? These are federal employees. Under the transfer of social and educational services, many will end up working for head councils or, possibly, not have jobs at all.

**Crombie:** The morale is very good. This is no small matter. I don't think there has been this kind of massive change in the structure of a department in the government's history, with the exception of the Armed Forces during the war. We're beginning to move things which have been stylized for so long. There is a sense of being able to deal with problems which didn't seem solvable in the past.

**Maclean's:** Is there any movement or funds adjust to an influx of new members as a result of changes that eliminated sections of the Indian Act that had caused women to lose their status if they married non-Indians?

**Crombie:** The many people try to bill the problems down to a few oil-rich bands in Alberta or some misdeeds, male Indian leaders. It involves the whole community. In order to understand how complicated it is, it's better to place it in a non-Indian context. Take a town like Morrisburg, Ont., or any other town of 1,500 or 2,000. We have bands that go from 70 people to 6,000. You have about 70,000 potential new status Indians with maybe 10, 15 or 20 per cent actually going back to live on reserves. It's a major explosion of population. How would it be in Morrisburg if 800 people came back within the next two years? They are going to claim their share of new housing and services. They have to educate their kids. This is a very complicated matter, not just in law or police terms but in human terms. There has got to be time for communities to stitch themselves together.

**Maclean's:** In the past 10 months you have travelled to troubled reserves and prospering communities. What are some of your impressions?

**Crombie:** There are some Indian communities where you just shake your head and say, I wish Canadians could see this and they'd know they don't have to go beyond the borders of this country to do something on behalf of the general welfare of mankind. While it is important to go to Africa or Asia or wherever, you can make a contribution in Canada's North. On the other hand, it is impressive to see the young leadership. They have tremendous advantages, they have a sense of nationality. They therefore have a kind of extended-family experience which, in many ways, non-Indian people are trying to get back to. There was an incredible change in the fortunes of Indian people from, say, 1850 to 1920. There is going to be just as much change for the better over the next 30 or 40 years because they have some of these advantages. ♦

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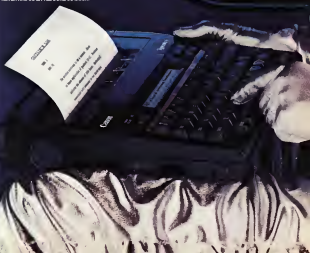
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# The lost tribe's test

Their name, in the ancient Amharic language of Ethiopia, means "orphan." And for centuries that was what the Falasha had been. But last year the world learned of Ethiopia's lost tribe of black Jews when many of them were secretly flown to Israel. Israel launched the \$200-million rescue operation, code-named Operation Moses, with the tacit approval of Sudan, where many of the Falasha had fled as refugees from famine-ravaged Ethiopia. Many of the Falasha arrived in Israel still wearing the ragged clothing that they had worn during arduous marches across hundreds of kilometers of desert to reach the Sudanese relief camps. They were emaciated from hunger and they had contracted such illnesses as jaundice, malnutrition, typhus, tapeworm and various acute parasites. Most of the estimated 6,000 refugees (as many as 10,000 may still be in their drought-parched native Ethiopian provinces of Tigre and Gondar) arrived with little preparation for life in a modern country. Indeed, 14 months after their epic journey, many Falasha continue to face extraordinary difficulties trying to adapt to their new life in modern Israel.

When the first wave of Ethiopian Jews arrived, officials in government-run absorption centres predicted that it would take one year for the new arrivals to learn how to live in Israel. Others said that the process would prove far more difficult. And one immigration official at the time "We are putting them through 1,000 years in a very short time." Some Falasha?

**Falasha customs have often collided with life in Israel. But the transition has been relatively smooth.**

knowledge of the modern world was so limited, officials said, that they did not understand the purpose of common household fixtures. In at least one instance, refugees used a flush toilet for washing dishes.

But for the most part, the black Jews have performed remarkably well learning Israel's Hebrew, as well as trades and modern customs. The ab-

sorption centres have operated field trips to factories and other places of potential employment. And although immigration specialists have said that as many as 40 per cent of the Falasha will either fail or drop out of vocational schools and take on low-paying jobs such as gardening, most of the younger refugees have a greater chance of success.

At the same time, their traditional tribal customs and ways of life have also created problems within Israeli society. Most of the Ethiopian refugees came from closely ordered villages where parents agreed on marriage arrangements when their children reached puberty. Officials in the absorption centres have counselled Falasha families to leave that choice to their daughters, as is the custom in modern Israel. But a few observers have voiced concern that much of the Falasha's unique culture will vanish amid their headlong journey into the 20th century.

Even more contentious is the issue of what conditions the Falasha have to meet in order to be officially admitted to Jewish society. Since 1975 the nation's religious establishment has recognized the Ethiopian Jews, who call themselves Beta Israel (House of Israel), as descendants of Dan, one of the 12 lost tribes of ancient Israel. But

the Chief Rabbi—the arbiter of Jewish custom—decided that the newly arrived Falasha would have to undergo ritual purification to end any doubt about their Jewishness. Many of the first Falasha to arrive underwent the immersion, they said, because they mistakenly believed that all returning Jews did it. Many have since recanted. "They have changed their mind as much as a returning tribe that had kept its faith for a millennium," Rabbenu Elazar, for one, has urged later arrivals to refuse the ritual. Said Elazar, 22: "I thought that every Jew who came to Israel purified himself." Of his own experience he said, "I have this scar on my heart."

Meanwhile, some of the immigration officials who have cared for the Falasha have become fond—and protective—of the refugees. Said Elazar, 22: "They have changed their mind as much as a returning tribe that had kept its faith for a millennium." Rabbenu Elazar, for one, has urged later arrivals to refuse the ritual. Said Elazar, 22: "I thought that every Jew who came to Israel purified himself." Of his own experience he said, "I have this scar on my heart."



Falasha children, Jerusalem

the centre's 40 refugee families by the media and politicians eager to be photographed with the black Jews has been potentially harmful. "We felt like putting up a sign saying: 'Welcome to the new,'" she said.

The exodus of Falasha from Ethiopia has now slowed. When reports of Operation Moses first arose, the Israeli government stepped the airlift because it feared that the Marxist government in Addis Ababa would take reprisals on remote communities of remaining Falasha. Many of the Falasha now in Israel are seeking an escape for family members left behind.

Despite the difficulties of adjusting to life in Israel, those who have arrived remain enthusiastic about life in the new land. Raphael Hadane, the 62-year-old spiritual leader of many Ethiopian Jews, has found his religious faith renewed. Confronted by the Israeli Chief Rabbi's decree, he is learning Hebrew and he considers himself an equal member of Israeli society. Added Hadane: "In Ethiopia I always felt it was not my country, not my government. Here, the country is ours, the government is ours, everything is ours." Asked if he missed the Gondar countryside, he replied, "The only country I ever missed was Israel."

—CAROL BERGER in Jerusalem, Dec.

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## A golf star's revival

After five lean years Canadian golfer Jim Neilford had only just begun to rethink the rewards of playing on the demanding Professional Golfers Association (PGA) tour. A regular on the exclusive circuit since 1978, the handsome Burnaby, B.C., native managed to win \$111,832 in 1983 and place 50th. But last September Neilford's rise came to a tragic halt. While waterskiing on a lake in Arizona, he was accidentally run over by a powerboat driven by a friend. The propellers slashed his back and legs and broke the ulnar bone in his right arm in nine places. Neilford, who swings right-handed, recalled, "The

doctors said that the bone looked like a jigsaw puzzle." Today the 30-year-old player is home in Arizona fighting to return to the professional circuit.

The accident was a crushing setback for a young man who started playing golf during family vacations in Banckersville. After finishing in the top 10 18 times since his rookie year in 1978, Neilford was seen by many golfing enthusiasts as Canada's great hope for the PGA tour. The two-time Canadian amateur champion had secured a place in a high-pressure game dominated by a new breed of polished stars from the U.S. Sunbelt. Neilford earned his status by finishing 50th among the

top 125 players. "For the first time I was actually looking forward to playing," Neilford said. "Golf was fun."

Now, Neilford is applying his determination to reengineering his damaged arm. Orthopedic surgeons inserted a special plate designed to hold the shattered bone in place. Three subsequent operations, involving delicate microsurgery, repaired damaged muscles and nerves. Despite intensive physiotherapy, Neilford cannot fully straighten his arm or properly grip a club with his right hand. His doctors have told him that it could be another two years before he can return to the professional circuit—and that his arm may never be as strong as it once was. Real Neilford: "Right now I'm not putting it too hard, waiting for the nerve to grow back and hoping that I'll be able to grip the club with two hands."

Still, Neilford says that he remains

hopeful. In January, despite a lack of sensation in his right hand, he started practicing at the Gateway Ranch Golf Club in Scottsdale for the first time since his accident. Some friends, who had been skeptical that the therapy would be successful, were amazed at his progress. Said fellow Vancouver tour pro Richard Zittel: "It was more than a little bit scary—we didn't know if it would work. But it did, and for Jim it was the light at the end of a long tunnel."

Neilford also confronted another obstacle in his bid for a comeback: the PGA rule that denies a player his tour card if he is unable to play in at least 35 tournaments in a season. Neilford then would have been forced to rejoin the PGA tour in 1985 as an unattached player, forcing him to graduate from qualifying school. But earlier this month the PGA's policy board met to study Neilford's request for a special



Neilford: determination and hope

exception so that he could retain his exempt status for 1987. To Neilford, the ruling would represent a triumph for himself and all professional golfers. Said Neilford: "It forces the PGA to provide some security for players who suffer long-term injuries."

In his fight to return to professional golfing, Neilford says he is inspired by Ben Hogan's celebrated return to the tour in 1966 less than a year after an automobile accident fractured his pelvis, collarbone, several ribs and a bone in his left ankle. Hogan later won the U.S. Open three times. Neilford is still waiting for his first major PGA title. His best finish so far was at the 1984 Bing Crosby National Pro-Am, when he placed second behind winner Hale Irwin. But Neilford has not given up his dream. He says, "There hasn't been a Ben Hogan story for quite a while."

—ANN FULFORD in Toronto

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## AN AMERICAN VIEW

### When E.T. goes to Georgia

By Fred Bruning

A black writer and his wife went to see *The Color Purple* recently and left the theater sipping mud. Oh, yes, the movie made them laugh and perhaps tell a little too, but any decent melodrama might have accomplished as much. Indeed, it was the swirl of phony emotions and one-dimensional characters—of mean too pretty and fine too further—that sent the couple into the street registering their objections with open-mouthed gasps. For three individuals, *The Color Purple* had almost nothing to do with the color black.

When he got to his typewriter, the fellow, a Boston-based reporter named Derrick Jackson, set down his thoughts. "In the end," Jackson wrote, "The *Color Purple* left us with the acute pain deep in the heart that comes with realizing that once again, black American culture had been stolen from us." Later in the piece, the journalist wrote, "There are 35 million of us [blacks] all around and with every day that I get older, I fear that whites know us less."

Obviously, Steven Spielberg's scholastic interpretation of Alice Walker's tough and unrelenting novel is not a case of black-white alienation but a rather predictable effect. Like many other black Americans, Jackson agrees that Spielberg could not be expected to provide Walker's story the subtlety it deserves. The distance was a whiff of adverting yaps (*Gone With the Wind* and *Ben-Hur*) and a sense of the Third Kind and *E.T.*), but hardly has established himself as an explorer of major social themes. What did Steven Spielberg know about the hardships of blacks in the agrarian South? What did he know of blacks at all?

On cue, Spielberg delivered precisely the kind of film that Jackson has anticipated—a piece that relies heavily on bang-bang production values and little on insight or credible emotion. At worst, the movie collapses into a baroque worthy of the Three Stooges.

One character falls through the roof a couple of times. A woman buries her breakfast plate with the velocity of a cross missile. The male lead nearly destroys his kitchen in a sassy attempt to prepare a meal. Bombast is not what Spielberg needs. Intelligence would have been the superior choice. Many blacks ask how Spielberg got

hold of the property to begin with. Why aren't these black film-makers with the kind of cash and know-how necessary for such an ambitious project?

And what was Alice Walker thinking when she surrendered to Spielberg's work that had generated considerable debate because of the understated portrayal of blacks?

Just how loud did money talk, anyway?

Blacks may comfort themselves shyly about *The Color Purple* but the film is a smush. It has been criticized for its handling of racism, although Spielberg is not in the running for best director. Hollywood obviously finds much admirable about his work. What audiences seem to agree in upscale city neighborhoods and at the suburban multiplex theaters, falls not knowing up for the film—and what perhaps seems a rare chance to see how the other side lives.

When race is concerned, the great

**For many Americans, Steven Spielberg's movie version of *The Color Purple* had almost nothing to do with the color black.**

American melting pot functions as though heated by a burning candle. If blacks and whites had managed to come a bit better acquainted during the past 200 years, after all, a film like *The Color Purple* would be less of a worry. More to the point, the movie might never have been made, but we are separate still. Black Americans and white integration remains little more than a theoretical construct. Too often, social intercourse amounts only to a high five between white and black players when a game has been wallpapered or basketball slurred through a haze. "Progress" is a word to be used with utmost caution.

On the surface, this may seem a period of unparalleled civility. No longer is it acceptable to most quarters to utter harsh racial terms or use skin color as the basis for a free press. Perhaps. We hold doors for one another and politely press elevator buttons and smile on good-mornings. We have the same sense of national purpose, it often seems, and civility as identical yearning for a share of the American

dream. History is our common burden, checkmate is a hard one to fight.

Recently a black man in his 60s was speaking about plans for the future. His children were out of college. His wife, a social worker, had enjoyed a fulfilling career. The fellow himself was ready to retire from a demanding job in the field of labor relations. Like him, his wife and he would buy a place in Florida and watch the check roll in.

Then the conversation turned to his background—to all that might have been and never was. The man had been a pilot in the Second World War and, despite wide combat experience, found upon discharge that no one would hire him, or, for that matter, any of his black colleagues. Commercial flying was not a field deemed suitable for blacks. Instead, the fellow became a change clerk in the New York subway system. With pluck and determination, he advanced through the ranks and finally won a management position. But he never again flew an airplane.

"That was the way it was," he said. Blacks still take a beating in employment, education and housing. But white Americans have become complacent and perhaps a little bored with equal rights. We assert that things are better and then slip along to other subjects. Look, we say, the nation took a long weekend this year to observe Martin Luther King's birthday. How's that for liberation?

One might argue that *The Color Purple* also presents a vision of such a successful escape to a place where garish past mistakes only incidental leverage on the future. Spielberg's characters suffered, yes, but in a manner that suggested black culture was strangely immune to pain, as though resistance and despair served almost as a diversion for a misdirected people. Influences of environment, and especially of slavery, mostly were ignored. The movie might have been set in Maricao.

It may not be true that only a minority film-maker could handle Alice Walker's story, though blacks hardly could be blamed for arguing the point. But much on the shelves of set film libraries recommends otherwise. Still, art is supposed to represent progress—the moment when wisdom extends experience. For 20 hours, *The Color Purple* occupies the screen but that previous moment, sadly, never arrives. Fred Bruning is a writer with *Newsday* in New York.





CANADA/COVER

# STRAIGHT TALK AT THE SUMMIT

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In Washington's Pennsylvania Avenue, the symbolic boulevard that links the White House with the administration of the U.S. government buildings is interrupted by a narrow 10-foot strip that has lain undeveloped for eight years. The Pappas family, the Canadian sample last identify the ground-over-trapped as the site of Ottawa's new \$30-million embassy in the United States—the only foreign embassy to be allowed by law on this symbolically American thoroughfare. Months ago Canadian officials began making plans for Prime Minister Brian Mulroney to break the ground for the new office during his official visit to Washington this week. But a series of budget freezes and space-saving programs have put off the long-delayed red-tape again. And as Mulroney prepared for his Washington visit, one year after the explosion of the Shamrock Summit in Quebec City, some observers saw in the stalled program of the embassy—a symbol of the state of the unique alliance—an indicator of current American-Canadian relations.

**Breakdown:** In the 12 months since the two leaders raised their glasses to increased good-neighboredness at the so-called Shamrock Summit on St. Patrick's Day, 1985, both men have suffered bruised feelings. Major irritants: the voyage of the U.S. Coast Guard icebreaker Polar Sea, through the Northwest Passage last August; and Ottawa's challenge to the U.S. sealants Gulf + Western over its acquisition of the Canadian publishing division of Pontiac Mall, reached only last week (p. 10). And one official involved in the planning of both summits: "The honeymoon is over. Both sides have woken up to find out that they have more grounds than they thought. It doesn't seem we aren't still at war, but the details of living together are proving more difficult to work out than anybody anticipated." Added a former Reagan administration official: "The bloom is off the shamrock."

This week's second edition of the two leaders' annual meeting reflected that sobered change of mood. A year after Reagan demonstrated his commander by joining Mulroney in a toast of *Where Irish Eyes Are Smiling*, American officials characterized this week's mission as "workable and low-key." In contrast to last year's celebration and the substitution of cabinet members on both sides, this year's so-far agenda for Mulroney and his wife, Mita, was without the accompaniment of any ministers. Moreover, while Ottawa's top mandarins have worked on summit preparations for

months, the White House has focused on another matter entirely: rallying support for the House of Representatives key vote this week on Reagan's request for \$900 million in aid to the rebel Contras fighting the Nicaraguan government.

**Foreign** Canadian officials pressed for more symbols of Mulroney's continued strong personal relationship with Reagan. But the White House had to withdraw an invitation to the presidential retreat at Camp David, Md., because of what one aide described as "scheduling difficulties." Mulroney missed only a new state meeting with the President—an intimate lunch in the White House family quarters—which stretched his formal visit into a second day.

Canadian officials said that the Prime Minister turned down an invitation to address a joint session of Congress because the opportunity—traditionally granted only once to a foreign leader—would better serve his and Canada's interests later. That time may arrive when free trade negotiations with Washington reach a more critical stage. Instead, Mulroney chose to campaign directly with individual members of Congress, where representatives of lumber-producing states are demanding a solution to the transborder timber dispute before the fall talks begin. Mulroney's prepared message on coffee with both Senate foreign affairs committees, Ottawa wants a "clean launch" for trade negotiations—that is, no attempts to resolve particular disputes before the bargaining starts. Said a senior Canadian official: "The negotiations should not be held ransom to any irritants of the day."

But like last year, both Ottawa and its critics said the gauge of Mulroney's success at the summit would be his ability to convince Reagan



Reagan, Mulroney (right), and Bush (left): "The honeymoon is over"

of the need for action on aid and rule. Administration spokesmen told Canadian officials in advance not to expect Reagan to endorse the recommendations of his own aid review body, Drew Lewis, released in a joint report with former Ontario premier William Davis in January (p. 10). But Canadian officials have continued to press the White House for endorsement of the report, because its acknowledgment of aid cuts as a problem that partly originates in the United States—and its commitment to financial action—represent a marked departure from the previous U.S. position. To increase pressure on the administration, Canadian officials tried to raise public expectations of a presidential declaration. Said Ambassador Allan Gell-



PHOTOGRAPH BY [illegible]

what George Carver of Washington's Center for Strategic and International Studies termed "direct-dial diplomacy." In recent weeks several American officials have privately but pointedly expressed frustration that Mulroney had not turned out to be the kind of partner Washington expected when he was elected 18 months ago. As the Presidents, spokesmen emphasized their "disappointment" that last month's budget slowed the rate of growth of Canadian military spending over the next three years, contrary to Mulroney's 1984 campaign pledges. They said the same word to state up their reaction to Ottawa's September decision not to participate as a government in Reagan's top-priority Strategic Defense Initiative, popularly known as Star Wars. Another administration official noted the White House's "disillusionment" with Mulroney's shifting statements on free trade. "He says he wants free trade and then he tries to take oil, oil, agriculture and the Auto

Club. "The United States is very sensitive to Canadian concerns. This cannot be a very important indication of how sensitive they are." Still, arguments on both sides declared that—on the first Shamrock Summit, where Reagan and Mulroney concluded three bilateral agreements—this year's meeting risked not producing any signed agreements. Said Charles Horan, director of Canadian studies at Johns Hopkins' School for Advanced International Studies in Washington: "Both governments are feeling the tension of the high stability and increased expectations that last year's summit created."

**Explosions:** Shamrock II also suffered from tensions of another sort. In the past year a series of misunderstandings and miscommunications has erupted in press conferences, both Canadian and American, and in the past year a series of misunderstandings and miscommunications has erupted in press conferences, both Canadian and American, and in the past year a series of misunderstandings and miscommunications has erupted in press conferences, both Canadian and American.

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Part off the table and give the provinces a veto," said the official. "Frankly, we're beginning to wonder if Mr. Mulroney is sincere."

The administration's sense of bilateral superiority ended during the Free-Trade-Hall case. When the government challenged the 1984 sale of the company's Canadian publishing division by its American parent to Gulf + Western because it might pose a threat to cultural sovereignty, the U.S. government at first left G+W lobbyist Robert Strauss to register its displeasure. Strauss was in a unique position to convey the message: In 1984 and 1985 his Washington law firm received at least \$11,500 (U.S.) a year from the Canadian Embassy to represent its interests.

**Searchlight:** In an Aug. 5 confidential letter to Minister of Regional Development Stephen Harper, Strauss revealed by Mulroney's last November-ambassador Goffin urged Ottawa to approve the sale. To that end, he conveyed Strauss's statement that Gulf + Western would otherwise adopt a "sneaked-sneak" policy in Canada. But as a currier with External Affairs Minister Joe Clark in Calgary last October, U.S. Secretary of State George Shultz stopped directly into the dispute. Shultz showed Clark a list of Canadian publishing interests in the United States that would be affected by regulatory legislation. Last week, only days before Mulroney's arrival, Strauss announced the government's approval of the transfer.

The dreamer renewed the most intense threat to a free-trade union. But it did not receive White House concern over the issue of cultural sovereignty. Goffin's letter had said that Washington regarded Ottawa's publishing policy as "more radical than that pursued by the Trudeau government." Declared one administration official: "We would like the Canadian government to do away with this law. We just haven't decided what form our opposition will take."

In fact, Mulroney has learned that as administration official last month allowed Goffin to glimpse a memorandum authorizing Treasury Secretary James Baker to draft "mirror" legislation—the strongest U.S. proposal so far. That would be used to retaliate against any country that discriminates against American goods or (eventually) for cultural reasons until the offending measures were rescinded. Presently, the American legislative would be the same as that introduced by the other nation involved. Acknowledged one U.S. official: "The draft does not mention Canada, but you can be fairly sure we're not talking about Yugoslavia here." Added

another: "You can't have it both ways. Canada cannot have certain rights of access in the United States where we do not have the same access in Canada. There are pressures in our government to reciprocate."

Nor does the debate centre only on publishing. As Walt Disney studios prepares to set up its own Canadian

cultural industries are not any different than any other industries. It's purely a matter of economics."

**Compromise:** The Mulroney government is following a policy of appearing to safeguard Canadian cultural industries while smoothing the way for free trade negotiations. But to the Reagan team, for which unilateral access to



Book publishing bldg in Toronto, Goffin (below): a workmanlike example

distribution, break, it may breach Mulroney's film policy. That case could get even greater strain as Mulroney's relationship with Reagan, the President, a 1984 movie star and former head of the Screen Actors Guild, has developed several cultural linkages to the seat of Canadian cultural sovereignty measures, delivering lengthy dissertations to senior staff on the economics of film distribution.

**Dialogue:** The cultural sovereignty debate is an illustration of the nature of the Canadian-American dialogue in trade. It frequently resembles a conversation among parties who are speaking different but not mutually exclusive languages. Said Dennis: "The Americans do not understand this business of cultural sovereignty at all. For the United States,

global markets is an ideological experiment, the two issues cannot be separated. Said one administration official: "When we are trying to get Japan to open its markets, we can't be agreeing to things with Canada that contradict what the United States is trying to do globally."

Administration officials acknowledge that trade talks with Canada could have other benefits. In fact, they say that their main interest is free trade negotiations with Canada is their potential as a lever to increase pressures on other trading partners for a new multilateral deal under the global General Agreement on Tariffs and Trade (GATT). White House officials also say that by taking the situation in talks with Ottawa, they may be able to head off the threat of a protectionist trade bill emerging from Congress before next November's mid-term elections.



Ottawa, on the other hand, is seeking secure access to its largest market. According to government figures, U.S. protectionist measures last year threatened \$6 billion worth of Canadian exports and 140,000 jobs. And a recent External Affairs report outlined a "dramatic" impact on Canadian employment if the United States imposed



Transporting goods across the U.S.-Canada border: near Blaine, Wash.; seeking a 'lean lunch' for both sides

measures to reduce its trade deficit—a record \$248.5 billion in 1985. The department's report predicted that a 50 per-cent reduction in Canadian exports would cut the economy \$900,000 jobs. Said University of Toronto economist Abraham Brattin: "The two countries want very different things out of free trade negotiations and they are talking right past each other."

**Contrast:** One measure of the different objectives is the contrasting operation of the official trade negotiators. In Ottawa, the Trade Negotiations Office of veteran mandarins Simon Bolivar and his staff of 80 occupies the entire penthouse floor of the Metropolitan Life tower at a monthly rent of \$78,000. Last Friday, three days before Mulroney's arrival, the White House finally named 37-year-old negotiator Peter Murphy as "special negotiator for U.S.-Canada trade." With the aid of U.S. Trade Representative Clayton Kretzler and one secretary, he will direct the powers out of a modest office at the White House. Murphy is a former senior advisor to the White House. Said Colin Campbell, a Canadian professor at Washington's Georgetown University: "The contrast in styles says everything about how the two sides

are approaching these negotiations."

Both sides also have conflicting views on another major Canada-U.S. problem—last August's voyage of the Polar Sea through the Northwest Passage. The public outcry in Canada against American officials who said that they had secured an agreement with Ottawa for the trip ignored, Co-

Policy Studies: "I detect a significant shift in Canadian public opinion about defense co-operation. There is a new squeamishness about getting too close."

**Parity:** That apprehension has extended to free trade talks as well. In a demand on fish imports from Canada released only last Friday, the U.S.

aiding officials' new idealist that during a visit by Clark to Washington last May, Shultz not only informed him of the 'voluntary' plan, but also—inviting a joint scientific research project—had agreed on the terms. Among them: that the trip would take place without prejudging either country's legal claims in the waterway. But U.S. officials claimed to be apart because, in the ensuing controversy and extension of Canadian territorial claims, Ottawa failed to point out the understanding. "They were just angry and bewildered," said Dennis.

The mutual resentment created by the Polar Sea incident exploded in part by Mulroney and Reagan were not expected to renew the North American Free Trade Agreement (NAFTA) this week (page 38). Canadian officials said they were concerned that unless the White House accepted a parallel statement reaffirming Ottawa's opposition to participating in anti-ballistic missile operations, the agreement could become a focus for criticism of the American government. Officials said that Mulroney has tried to minimize Canada's increasingly controversial defense relations with the United States. Said William Arkin, a defense analyst with the left-wing Institute for

commerce department ruled that 54 Canadian federal and provincial programs—comprising only unemployment benefits for fishermen—amount to subsidies that justified imposing a penalty duty on the imports. This week Mulroney found himself having to prove that his strategy of closer co-operation with Washington has produced tangible benefits. Citing one example, Ottawa officials pointed out that in the past year Canadian industry has received increased business in U.S. defense contracts worth \$1.6 billion. And Goffin said that the best result of the improved relationship is that in the past year—despite rising protectionist pressures in Congress and a Canadian trade surplus—the White House has spared Canada any sweeping retaliatory trade measures.

But clearly, given the conflicts past, present and likely in the future, Mulroney would need all his political balancing skills to walk the tightrope of relations with the nation's most important friend and ally—and to preserve his policy of pursuing even closer relations.

—MARK MCGRONOLD with GAIL AUSTIN in Washington and KEN MACQUEEN in Ottawa

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James Carr, President of one of the firms in the group explains how Apple's second personal computers and LaserWriter printer have helped to make their companies more efficient, productive and successful in Canada's highly demanding and competitive petroleum and energy industries.

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**"On the average, the Apple Macintosh and LaserWriter printer save us about \$27,000 a report."**

*James W. Carr*

"Personally, I'm in the business of environmental research. When I was in university I conducted a lot of research which resulted in a few outside contracts and pretty soon I wasn't doing any research for the university. It was all outside."

So I took a pretty scary step for an academic. I cut the academic end - and stepped out into the world of chartered accountants and tax collectors."

There are about a dozen companies here presently involved in the petroleum and

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A couple of us have quite a bit of experience in computer use. Right from the start we came down to Macs."

One reason we went with Macintosh™ is that we liked the user interface. And we also liked Apple's philosophy."

"We got the feeling that Apple™ was making computers that people liked. There was a real subtle gut feeling that we had. That was one of the things that helped us make the decision."

We were very pleased when Apple made the Macintosh an office machine and supported it on the business side of things. That was important to us because we took the risk when there were only three pieces of software - and Apple really came through."

I think the other primary factor is that we're all professionals who have spent upwards of fifteen years learning to be very good at our specialties and most of us didn't want to turn around and have to learn computer programming in the MS-DOS operating system. We just wanted to take a tool and use it."

I use the Macintosh to research and read in Ontario and sit in position in north-east Alberta. Others here use Macs for economic modelling, of exploration and planning drilling programs. We all use the Macs for accounting."

**"We took the risk when there were only three pieces of software - and Apple really came through."**

We have the LaserWriter™ printer set up almost as a separate entity. And everybody prints on it."

We grant reports, charts and graphs, overhead presentations, diagrams downloaded from mainframes, even our own custom run-down type using scientific fonts."

In addition we use Macintosh to digitize and print out aerial photographs and maps."

The LaserWriter provides us with near typeset."

**"With the LaserWriter we are able to do a page for fifty cents where a typeset page would probably cost closer to fifteen dollars."**

quality. In fact, we don't think the cost difference to go to typeset quality is justified. Our clients need high quality reports because they are usually being presented to the public or submitted to another government or regulatory body for review."

We used to go to typesetting because



The Apple LaserWriter printer is capable of producing right pages of near typeset quality text and graphics per minute.

that was the only technology available to us. With the LaserWriter we are able to do a page for fifty cents where a typeset page would probably cost closer to fifteen dollars a page. That is really expensive when you're only producing six to sixteen copies."

For example, we had one report that if we had done it outside, I estimate it a typesetting and printing, would have taken three to four weeks and cost fifteen thousand dollars. The Macintosh and LaserWriter did it in less than four days with a net cost of three thousand dollars."

Then I saw was a commercial cost estimate exclusive that took ten days to do."

Before the LaserWriter it would have taken thirty days. And it wouldn't look as good."

The LaserWriter has really replaced typeset technology for report generation. Our LaserWriter now acts as our typesetter and our photocopier becomes our printer."

When you roll into the time, the LaserWriter probably saves us an average of about \$27,000 on a major report."

Another advantage is that we get a very high utilization factor out of it. I could staff. Nearly 90% of their time a both productive and reliable."

The flexibility of having an electronic printing system right there, right outside of your office, is worth the price of the machine alone. We're constantly working eight day weeks around here and it's nice to have everything right there without having to depend on outside shops."

Our LaserWriter probably averages a twelve hour day in a seven day week. It gives people here the opportunity to handle major projects for clients like Enso, Syncrude, Shell and the Ontario Ministry of the Environment that would normally have never gone to smaller consulting firms."

**"What I get done in a week now, used to take six weeks' time."**

As one of our consultants said, "What I get done in a week now, used to take six weeks' time." The system has made him that much more productive."

The Macintosh system is so well accepted by the people who work here that most of them have bought one of their own to use at home."

Our bookshelves nowadays might have a couple of reference books and a box of disks. We don't carry around huge briefcases just huge printers."



The Macintosh Plus. This remarkable unit has complete of advanced economy and a one-keyboard is all an integrated manner displayed.





Deaver with Lewis (left) and Daulton, seeking endorsement for a demonstration

## A TOUGH DEBATE ON ACID RAIN

COVER

The pattern was familiar. For the second consecutive year, the Canadian government had proclaimed acid rain to be a major environmental threat. Prime Minister Brian Mulroney and President Ronald Reagan, both as well as meeting a year ago in Quebec City, officials at the Canadian Embassy in Washington and in the Prime Minister's Office watched the meeting days over without any commitment from the White House on one of Canada's most pressing environmental problems. Although Reagan seemed ready to endorse a joint U.S.-Canada study of the issue, his position was still unclear late Sunday. Said Canadian Ambassador Allan Gotlieb last week: "I have no doubt that the debate within the U.S. administration is a real one and a tough one."

But, damaging buildings and retarding forest growth. That 1980's summit did result in the assignment of former Ontario premier William Davis and former U.S. transportation secretary Drew Lewis to study the problem. The fate of their report, released in January, became a focus of arguments for the week's summit in Washington.

**Problem.** The Canadian government's position was clear: "We should like to see an endorsement of the report—lack, stock and barrel," Gotlieb said last week. But that position has created a new problem in Canada's five-year campaign to convince the Reagan administration that sulphur emissions, mostly from coal-fired power stations in the Ohio Valley area, harm both countries. Ottawa's allies in the light-environmental groups and environmental advocates of control—how said Canadian officials that U.S. endorsement of the Davis-Lewis recommendations will create more problems than it will solve. Said David Hawkins, Washington lawyer for the New York-based Natural

Resources Defense Council: "What Canada seems to be fighting so hard to get the United States to embrace is a bad idea, not just a not-good-enough idea. It's actually a very bad idea."

Others say that adopting the report would advance the acid rain fight. The study found that acid rain is a serious problem and that Eastern Canada suffers from U.S. emissions—points the Reagan administration has never conceded. "If the Prime Minister can get Reagan to endorse that," said Julie Herley, coordinator of the Canadian Coalition on Acid Rain, "it'll tip the hat to him." But the support of Herley and many others for the report ends there. Its key recommendation—that \$5 billion (U.S.) should be spent on a government-industry demonstration control program—"does not deal with the problem," Herley said. "We're buying a bag of fog."

**Pollution.** For environmentalists, the case for further research only ways to reduce pollution is not strong. Current technology—drain sulphur-reducing coal treatment to smelterstack scrubbers that trap sulfurous elements—is the basis of a \$1.5 billion to \$2 billion Canadian program to cut Canada's sulphur emissions in half by 1994. At a January acid rain conference in New York, Canadian Environment Minister Thomas Mulroney acknowledged that the Davis-Lewis report's proposal for a demonstration program "is not so much science but politics—a way for the U.S. government to not without offending opponents of further controls."

But Hawkins and congressional advocates of control say that would be politically wise. Said the lawyer, "It would take us on a live-year debate." Even with Reagan's endorsement of a demonstration program, Congress would have to approve funding at a time when it is second by law to reduce the U.S. budget deficit. As well, a leading congressional proponent of legal control, Rep. Henry Waxman (D-Calif.), told Gotlieb in March if that Canada agreed to be backing away from its long-standing commitment to seek bilateral reductions in U.S. emissions if that perception becomes widespread, Waxman said, it could stall attempts to introduce an acid rain control bill.

Gotlieb said endorsement of the Davis-Lewis report "would make the most significant step taken in this decade toward addressing this problem." Canadian officials were optimistic, but the White House provided no advance commitments. Said Hawkins: "It's the most of it. The White House is running a press and keeping the public waiting. Satisfaction is the dark stuff the night before. It will be such a relief when the press finally says, they will take anything."

—SARAH MERRIN in Washington

## THE QUESTIONS ABOUT DEAVER

COVER

When Michael Deaver left his post as Ronald Reagan's deputy chief of staff just May after five years, the President's media secretary named a White House spokesman to act the tone of his new Washington public relations business. The result is a history of George H.W. Bush's office with a view of the way to the Lincoln Memorial. And the English country-house door was not the only one at the White House. Deaver also brought along two former White House aides to work on his staff, as well as his White House driver to chauffeur his new telephone-equipped Jaguar XJ6.

Paul Deaver, 47, was the only departing top administration official allowed to keep his White House pass. Using it, he continued to drop in on Reagan and his wife Nancy—who readers say reports him as a see-saw through the normal West Wing routine doors but through the East Wing's private residential residence. In that unofficial capacity, he photographed Reagan's private chat with Soviet leader Mikhail Gorbachev in Geneva last November and he has twice sorted out Nancy Reagan's staff problems. Said a former associate: "He took the White House by storm."

But his military seems to be the President has made Deaver the hottest and most controversial lobbyist in Washington. In his 10 months of public service, where he top salary was \$70,000, he has amassed at least \$2 million in business from a dozen corpora-

tions and foreign countries. Among them: the Canadian government, which has paid Deaver \$100,000 a year to advise and represent its interests. The Deaver contract coincides with Ottawa's campaign to ease its relations with Washington and promote a new trade agreement.



Deaver: a growing storm of protest over lobbying practices

But Deaver's work for Canada has put him at the center of a growing storm of protests over lobbying practices in Washington. The dispute has led to an investigation of his activities by the Congressional General Accounting Office under the Ethics in Government Act. The controversy could ultimately stifle his effectiveness as one of the leading promoters of Ottawa's interests. Last October The Washington Post

reported as a front-page story that during planning for last year's Shastock Summit in Quebec City, Deaver took what White House staffers regarded as an "unusual interest in acid rain." And only two months before opening his own business—with Canada as one of his first clients—White House aides credited him with presiding over President's to ease Canada's concerns by agreeing to the appointment of two special acid rain envoys whose joint report eventually advocated a much stronger stance on the problem than the Reagan administration had previously taken. As a result, Congressman Dan Rostenkowski (D-Ill.), who opposes Canadian softwood lumber imports, declared that "former high-ranking officials are now employed by law firms and consultants to represent foreign interests often at odds with our nation's best interests."

**Bill.** In the House of Representatives, Congressman Howard Wolf (D-Mich.) cosponsored a bill to bar top government officials from lobbying for foreign governments or corporations for at least 10 years after they leave the administration. Said Wolf: "Every country ought to be confident that their representatives in negotiations are putting their country's interests first and not looking down the road to their future employment." Last November, during The Washington Post story, Congressman John Dingell (D-Mich.), who opposes any tough U.S. action to clean up acid rain without further study, asked the General Accounting Office to investigate a possible conflict of interest in Deaver's activities. Since then the Canadian Embassy in Washington has declined to cooperate with the inquiry.

Indeed, the controversy has made officials at the Canadian Embassy in Washington so nervous that spokesman Bruce McIsaac, who declined to be interviewed, said that Deaver was "not a lobbyist" for Canada. Phillips insisted that Deaver only gave the embassy advice, despite the fact that Deaver's contract stipulates that he "may engage in political activities." McIsaac's association with top government officials and congressmen in Canada's behalf Deaver himself admitted to The Washington Post in November that he has spoken to government officials about Canada's problems with acid rain. The Ethics in Government Act bars him from talking about any business deal with the White House within a year of departure.

Whatever the results of Deaver's efforts, Ottawa got a bargain of sorts. Deaver charged more than \$100,000 a year for his services. The Ethics in Government Act bars him from talking about any business deal with the White House within a year of departure.

—MARC MCGRONOLD in Washington

# A CRUSADER'S LONELY FIGHT

COVER



Keir: "I thought the Canadian government would be on my side"

**O**n the walls of a sun-dappled corner office overlooking the heart of Washington, rows of photographs trace a legal career that has spanned a half century. Signed tributes from Eleanor Roosevelt and former vice president Robert F. Kennedy echo the cases that have made Joseph Raich one of America's most distinguished civil rights lawyers. In the 1950s he defended playwrights Arthur Miller and Lillian Hellman in congressional investigations. Two decades later he led the fight against the government's poisoning of the 1964 Civil Rights Act was so pivotal that President Lyndon Johnson gave him one of the pens used to sign the bill. But for the past six years—working without fees—Raich's chief fight has been against the U.S. Central Intelligence Agency. His clients: nine Canadians who were subjects of mind-control experiments conducted at Montreal's Allou Memorial Institute between 1967 and 1968.

The experiments, performed by Dr. Bruce Cameron and funded by more than \$20,000 in CIA grants, used hypnosis and electroshock (ES), forced sleep

therapy and other "psychic driving" techniques. Raich is suing the CIA for \$1 million (U.S.) for each of the nine people but has offered to settle out of court for \$200,000 each. But his effort has been complicated by Ottawa's apparent reluctance to press Canadian claims. External Affairs Minister Joe Clark declared last month that the government had "acted as much as we can" in 1981-82—the CIA's role mine for the case. But Raich disagrees. "I thought the Canadian government would be on my side," he says. "They did it once a minute. They have fought this thing the whole way." And the agenda for Prime Minister Brian Mulroney's meeting with President Ronald Reagan this week did not include the CIA case.

Reagan gave a short time last month, Raich, 75, says that he thought Ottawa's attitude might be changing. On Feb. 15 Mulroney agreed to permit Raich to take a sworn deposition from John Hadwen, a top-ranking intelligence officer in External Affairs. In a written memo to senior External Affairs officials, Hadwen has acknowledged receiving statements of regret for the experiments

from U.S. envoys in Ottawa in 1977. In court, those apologies could amount to an admission of guilt. But early this month Raich received a letter from External Affairs setting out stringent conditions for his interview. Among them: Ottawa will allow a CIA lawyer to present Hadwen from replying to any questions. Said Raich: "I've never heard of one country giving another extra-legal right over one of its own citizens. They're letting the CIA run the whole show."

**Offer:** Although the CIA's involvement was publicized by American writer John Haines in 1977, it was not until 1984 that Ottawa raised the issue with Secretary of State George Shultz. Then, two months before last year's Shamook scandal, Washington offered to settle out of court with the plaintiffs for \$20,000 each. That amount, said now ex-David Keir—whose wife, Velma, was one of the 52 Canadians subjected to Cameron's experiments—was "a mockery, an insult."

Raich has also charged Ottawa with supporting U.S. "delaying tactics." Last October Shultz outlined the CIA's case to Clark and invited him to send a justice department official to review the facts. But the government waited five months before dispatching general counsel Mark Jewett to Washington on March 3. Meanwhile, U.S. District Court Judge John Pons agreed in February to give the suit top priority so that it can go to trial in the summer. But Raich is sorely aware of the danger of further postponements. One of his elderly plaintiffs, Florence Langlois, 80, died last January. Said Raich at the time: "The Canadian government has allowed one of its citizens to die without offering a finger to help her." Canadian officials in Washington vigorously deny that accusation.

**Review:** In fact, Canada continues to regard the case as a U.S. violation of Canadian sovereignty—despite U.S. government claims that Canada bears responsibility. One development that may shed some light on the case is a still-secret review requested last summer by Justice Minister John Crosbie from Halifax lawyer George Cooper. According to Crosbie, Cooper's report—a draft is under study by federal lawyers—is to determine whether "we have any responsibility, legal or otherwise." The findings, which could make Ottawa liable to additional suits by the plaintiffs, will not, however, alter their suit against the CIA. Said Raich: "It doesn't make a legal bit of difference to our case, but it makes a moral difference. All along, Canada has denied it knew what the CIA was up to. If that is not so, there is a crisis of credibility in its relations with the U.S. government."

—MARC McDONALD in Washington with MICHAEL H. RUSSELL in Ottawa

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## THE BATTLE OVER DEFENCE

COVER

**M**ore than two feet high, the red letters flash on the giant screen "Is North America Under Attack?" About 1,700 feet underground, in a hollowed-out mountain in the Colorado Rockies, the commander-in-chief of the North American Aerospace Defense Command (NORAD) and his battle staff prepare to answer that question. The command post is NORAD's operational nerve centre—the heart of the continent's military defences. From its high-speed computers, deep in the bowels of craggy Cheyenne Mountain near Colorado Springs, the first alarm of any enemy attack on North America would issue. Within seconds, using two screens that fill one wall of the command centre, the battle commander could track enemy aircraft approaching the continent, as well as movements of foreign submarines off continental shores and jerry-jerk satellites detected by infra-red and sound-sensing satellites.

In wartime, the NORAD commander would have no more than five minutes to provide warning and command to the National Command authorities of Canada and the United States. Said NORAD's deputy commander, Lt-Gen Donald (Paddy) Macdonald: "We are the eyes and ears of North America, and we will con-

tinue to be until we cease to function."

Aboveground, an alert of a different kind has already been sounded. The NORAD agreement that has bound Canada and the United States in the joint defence of North America since 1958 is due for five-year renewal by May 12. And even as President Ronald Reagan and Prime Minister Brian Mulroney prepared for this week's White House summit meeting, a fierce political battle has been joined for the first time in two decades over NORAD's renewal. At the centre of the controversy is the U.S. Strategic Defense Initiative (SDI), or Star Wars, and the implications for Canada of its still-secret technology on the defence of the continent.

**Deployment.** Until 1981 the agreement contained a clause that ruled out NORAD's participation in active anti-ballistic missile (ABM) defence. The 1978 U.S.-Soviet Anti-Treaty also prohibits large-scale deployment of defences against ballistic missiles. But when the NORAD agreement was renewed five years ago, the ABM clause was quietly deleted. Now, many politicians and peace activists claim that the deletion set the stage for NORAD's principal involvement in any future Star Wars deployment. Declared John Lamb, executive director of the Ottawa-based

Canadian Centre for Arms Control and Disarmament (CCACD): "If SDI proceeds to deployment, it is difficult to see how NORAD could remain uninvolved." U.S. officials dismiss the claim. Says Thomas Niles, U.S. ambassador to Ottawa: "There is no malign plot to somehow, through the backdoor of NORAD, send in Canada's inlets."

**Preconception.** But in the days preceding the week's Reagan-Mulroney summit, the issue that preconceived officials on both sides was not the NORAD agreement itself but the wording of a joint statement that was expected to be released. Working intensely behind the scenes, Ottawa wanted the commitment to maintain a firm U.S. assurance of its renewed commitment to the Anti-Treaty. But Washington was holding out for reference to the ABM pact. Said one Canadian government source: "They're playing hardball. I would say we're upbail to upbail, waiting for the other one to bail." At week's end, the dispute threatened to create a minor diplomatic fiasco, in which the summit would end without any communiqué being issued.

The next sophisticated military command in the Western world, NORAD's Cheyenne Mountain complex was set up in 1966 under joint Canadian-U.S. command. Its initial mission to warn



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against any attack by Soviet-owned nuclear bombers. The computer-guided bomber—10 intercontinental office buildings sitting on giant shock absorbers inside the mountain—was gassed out of 800,000 tons of granite and designed to withstand a direct bomb blast. Within 45 seconds the fortress can be "blown up" for 30 days by 25-ton steel doors. But in the event of a nuclear conflict, the complex's life-line would likely be a matter of minutes, as Soviet missiles converge on the mountain. In that case, says Gen. Mackenzie, "we would attempt to hand over control to any survivable asset."

The center's vulnerability underlines the changing nature of the Soviet mili-

tary but to meet a missile and total retaliation. Said Herres: "SII would save the hair-trigger." Added Gen. James Ablesham, whose Reagan named to head the SII program: "Building a roof makes little sense if you can't also construct the walls."

**Deterrence:** Canadian arms control experts say, however, that far from placing the world on a safer footing, Star Wars would alter the doctrine of deterrence upon which both NATO and the North Atlantic Treaty Organization (NATO) are based. And many of these control that SII would inevitably lead to Canadian involvement. According to Lawrence Hagan, former crash research director and now a Privy Council

adviser, said the SII was "shadows on the road ahead" but that it was unrealistic to think that SII would become a reality within five years. To mollify public concern, however, the government reassured that Canada and the United States issue a statement reaffirming the ABM Treaty. Declared Wainwright: "We say renew our commitment to the ABM Treaty—not because it is necessary, but to assure whatever remains on our minds." In addition, he adds, to U.S.-Canada friendship. Said Wainwright: "Look, we're members of an alliance. We have obligations. It would be inconceivable for us to allow a major ally to be attacked or threatened without Canada doing what we could in non-violence and warning."

Last September Ottawa rejected the formal U.S. invitation to participate in the \$30-billion SII project. It did leave the door open for private Canadian companies and universities to bid on contracts. In the end, the Star Wars issue confronts Canada with a series of tough decisions. "The issue is, do we want to be part of an integrated defense system—leaving aside the issue of ballistic missiles?" Hagan asked. "Or do we accept the implications of not being part of it and do it all ourselves?" Or do we allow the U.S. to do it all here, unless and do things in our territory and in our airspace that we're not involved in? Would it affect our access to information and deprive us of information we might consider useful?"

**Sensors:** Meanwhile, inside the \$145-million Cheyenne Mountain complex, protected by walls of concrete, rows were step chess-like fences, sniffer dogs and armed sentries, NORAD officials constantly monitor their green console for signs of enemy activity. Electronic information is fed into the SII computer system from space satellites and a radar network covering North America. On the left wall of the command post there are five clocks, four of which with North American time zones. The fifth, marked in red letters, reads "Moscow time." Gen. Herres's position and a radar screen are permanently attached to the NORAD console from which he would issue the nuclear alert. Said Herres: "In North America Under Attack?" We ask that question constantly. It is our job to be able to tell the President and the Prime Minister." Canadian and American hope that the answer will never be yes.

—ELIZABETH MCKENZIE in Cheyenne Mountain



NORAD nerve centre inside Cheyenne Mountain: the eye and ears of North America

tary threat. In the early 1980s NORAD's early warning systems and interceptors (which could assess, warn and help defend against any Soviet bomber attack. Now, a nuclear conflict would involve an assault against which there is currently no defense, a multinational ballistic missile strike.

**Strategy:** Three years ago next week, Reagan announced his plan to close that strategic gap and change "the course of human history." Using new technologies, the United States, the President said, would develop a non-nuclear defense that would not only deter but destroy enemy ballistic missiles in flight. Declared William McMaster, chief of Gen. Robert Herres: "The world is now on a nuclear hair-trigger." Faced with a Soviet missile strike, he added, the United States would have an alter-

native, U.S. Airborne Warning and Control System aircraft (AWACS) "would have to be deployed in the Canadian North." There would also be advantages to deploying sensors and interceptors closer to the Soviet Union. Even Canadian waters would be used for anti-submarine warfare. Declared Hagan, a SII paper presented to a House committee: "It is difficult to avoid the conclusion that all this would result in the perception and reality of an integrated North American strategic defense posture."

But George Day or William Wainwright chaired the Commons committee that last month recommended removal of the NORAD agreement without change and dismissed concerns that NORAD could eventually merge Canada into Star Wars. In a report to the House,



## Montreal's deadly new traffic in cocaine

For a gang with a reputation for ruthless efficiency, it was a horribly bad operation. Last November a member of Montreal's biggest cocaine trafficking syndicate parked a rented Volkswagen Beetle in the underground garage of a downtown apartment block, then walked off leaving the car keys dangling from the trunk. A second man was scheduled to arrive shortly afterward and remove a parcel from the car, but police arrested him before he could make the pickup. When a passerby saw the keys and opened the trunk, he found 33 kg of high-quality cocaine in two hockey equipment bags, each kilo individually parcelled in plastic and wrapped in superproof silver clear tape. The dealer's estimated street value: \$16 million.

Once making the seizure, one of the largest ever in Canada, Montreal's drug

enforcement authorities have been able to obtain only one conviction in the case. The driver of the car, Jorge Alberto Rios, 34, a Canadian citizen of Colombian origin, received a six-year jail sentence in January for possession of narcotics with intent to traffic. Still, the case has highlighted the rise of a powerful new force in Montreal's ever-expanding drug trade. A police spokesman said that Rios belongs to the lower ranks of a "family" of Colombian immigrants that now dominates trafficking in the city. Canada's cocaine capital. Linked to similar gangs in Boston, New York, Miami and Columbia itself—the source of 18 per cent of the cocaine reaching Canada—the syndicate has established a highly organized importation and distribution network. Said Lt. Detective Claude Luchapelle, drug squad chief for the Montreal Urban Community (MUC): "They started

### Signals with drug econsultant's hub

moving in less than four or five years ago. Now, 75 per cent of the cocaine seized is taken from Colombians."

The ascendancy of the Colombian cocaine traffickers, who have blended into Montreal's generally low-ranking Latin American community of about 25,000, has added a violent new twist to the city's burgeoning drug problem. Motorcycle gangs, along with francophone, Italian and Irish-Canadian crime groups have also exploited the booming market for cocaine—and for heroin. In fact, in its annual report on the illicit drug trade, the acer used that Montreal serves as "the leading national distribution centre" for cocaine while doubling as a regional distribution point for eastern Canada.

In January one RCMP agent told the MUC Public Security Committee, a panel still studying drug abuse, that nearly 60 per cent of federal drug seizures occur in Quebec, mainly in Montreal and at Mirabel international airport. Said William McRae, the Ottawa-based chief of Canada Customs' anti-drug division: "There is no question—Montreal is a world hub of narcotics trafficking."

The growing rate of organized crime in the cocaine trade, police say, is a nationwide phenomenon fuelled by a rapid increase in consumer demand. The RCMP estimates that Canadians are spending \$1.2 billion a year on the substance, predominantly marijuana. At the same time, the number of people charged by the RCMP with cocaine offences rose 33 per cent to 1,381 in the year to March 31, 1985. More than 115 kg of cocaine were seized, a 37-per-cent increase.

The drug reaches Canada from South America by a variety of circuitous routes, often passing through Florida, the Caribbean or Mexico from the United States—the world's largest market for cocaine with an estimated consumption of 500 tons in 1985—cocaine enters Canada by car, truck, boat, small plane and commercial airliner. The main destinations: Vancouver, Toronto and Montreal.

Montreal's Colombian traffickers purchase most of their cocaine in Miami, authorities say. By moving large quantities of the drug into the city—last year 1,234 kg was seized in Miami from a Colombian Airlines Airbus A77 carrying flowers to Montreal—they have managed to reduce the price of a kilogram of adulterated cocaine to \$50,000 from \$70,000 on the local wholesale market. The Colombian arrangement guarantees its buyers "quantity, quality and low prices," one MUC drug squad agent told Montreal's "They know the game better than anybody."

Police say the Colombian family actually consists of two organizations. One controls importation and distribution, the other the investment and "laundering" of drug profits. Although, MUC police have identified 58 Colombians suspected of dealing in cocaine. But so far police have been unable to penetrate the tightly knit families at the higher levels.

The Colombians established a foothold in North America in the 1970s, when three or four family syndicates controlled the import of cocaine to the United States. Now, U.S. authorities say that 77 Colombian families are operating in the country, taking advantage of a long role in the wholesale and retail trade in Toronto. The Colombians have also taken over a significant share of the drug market, according to police. As well, some of the Latin American gangs have begun to compete with the Colombians.

Montreal police say criminal elements in the city's 1,500-strong Peruvian community are pushing for a larger share of the drug business.

Montreal's established underworld groups have also moved quickly to exploit the rich market for cocaine. An RCMP investigation of Montrealer Silvestre (Jimmy) Nicolazzo, 37—seized last September to 14 years in prison for importing 15 kilos (value: \$8 million) of cocaine seized in Vancouver two years ago—uncovered links between the trafficker and Montreal's Ruffalo Mafia, al-

Frank Cotroneo is currently fighting an extradition order on charges of conspiracy to import heroin into the United States.

Moreover, in January three middle-aged Montreal men of Serbian descent—Gordzede Caranza, Filippos Vercoselli and Luciane Samblino—were convicted in the largest heroin seizure (58 kg) in Canadian history and sentenced to 36 years each for conspiring to import the drug. They had attempted to import the heroin into Canada via England in a con-



Cocaine discovered in suitcase during at Mirabel airport. Colombian gangs

legedly headed by Montrealer Nicholas Ruffalo. During a 1984 visit to Caracas, Venezuela, where Ruffalo owns a restaurant called El Palacino (Italian for The Godfather), Ruffalo was seen meeting with Ruffalo's son, Vito. Later, while Nicolazzo was staying on the Caribbean island of Aruba, intelligence sources say, a member of the Caranza family, another Ruffalo Mafia close operating in Montreal and Caracas, paid him hotel bills. During their investigation of Nicolazzo, other narcotics agents also learned of another cocaine distribution ring.

That was allegedly involved Montreal bailiwan Denis Lemieux, 35, an owner of the chic Bishop Street nightclub, Le Printemps and one of seven men currently in court on trafficking offences charges, after police seized 22 kg of cocaine in Montreal last year.

Montreal also appears to be a major center for Mafia-controlled heroin. Reported Montreal underworld kingpin

tanner of furniture shipped from Thailand.

Meanwhile, Montreal police have had to contend with still another gang of heroin traffickers. It has about 100 members, mainly Italians who already have Canadian criminal records. The young gang seized a large portion of the city's street-level heroin trade, originally working out of downtown amusement arcades but now operating clandestinely. Members of the group, MUC police say, import small, 36- to 200-gram batches of the narcotic in letters and parcels sent from Pakistan, then traffic largely in "pouch" servings—one-sixth of a gram—worth \$60. Last year the MUC seized 25 firearms on drug-related offences.

At the same time, the allure of fast money is attracting a stream of small-time traffickers. At Mirabel airport customs officers regularly arrest travellers wearing drug-filled body packs and others who have swallowed balloons of cocaine, hashish or heroin. Most are between 18 and 25, and 85 per cent of the carriers are jobless—a profile that reflects Montreal's depressing, but still serious, unemployment rate of 11.4 per cent. Pierre Sigmond, acting Montreal region chief of Canada Customs

### Airport laboratory



ment" anti-drug squad, also points to the wide use of non-crime as a cover, or "bribe," by drug distribution groups. David Siquin, whose 18-man squad coordinated more than 1100 seizures of illegal drugs between last April and January and made 200 arrests.

"The market is open to whoever dares take the risks. And for a lot of people in this city, staying in an attractive alternative to poverty."

Heroin use has, in fact, halved in recent years. Police say that the estimated number of regular users in Montreal has declined in recent years to between 4,000 and 5,000. For some evidence, however, is the city's epidemic for "binge"-cocaine. In the city's dense network of nightclubs, almost every establishment has been stalked out by dealers of quarter- and half-gram portions of the expensive—\$100 to \$150 a gram—stimulant, says LaSalle. A 300 Montreal criminal lawyer Jean Dury: "Most cases I deal with, whether they be armed robbery, murder or assault, are drug-related crimes. And most often the drug involved is coke. It's a social poison."

The lucrative business of supplying the drug in large quantities has led to a modern day gold-rush involving even prominent members of Montreal society. In January a provincial court judge sentenced Jean Renaud, a \$100,000-a-year insurance lawyer, to 14 years in prison for his role in creating Canada's first known cocaine-processing laboratory.

With such a variety of competitors in the crowded cocaine business, the potential for violence is high. Already, many Montrealers have come to accept random bloodshed as the meritable byproduct of the illegal trade. According to 800 police, 86 murders directly related to drug trafficking were committed in Montreal from January, 1986, to July, 1988. Only last month former Hall's Angel Yves (Apache) Trudeau, 42, pleaded guilty to 43 counts of manslaughter spanning a 15-year career as an underdog assassin—many of them connected with the drug trade.

Some municipal officials say that they have been surprised by the rapid growth of the drug trade. "There is obviously a very big business in drugs here," said LaSalle mayor Guy Desjard, who headed hearings of the 800 Security Commission into the trade. "We were all a little shocked." But while police say drug enforcement is a top priority, they insist that as long as as demand for drugs such as cocaine keeps rising, Montreal's resourceful and durable underworld will continue to do a lively business.

—BAY BERGE in Montreal

## The solitary crusader

The name itself was incongruous: a 78-year-old senator seated on a languid leather chair and the portraits of monarchs in the Senate foyer, a sleeping bag and three bottles of mineral water at his side, threatening to smother himself over the assassination of a government youth program that as Jacques Hébert's hunger strike dragged toward the end of its first week, it was evident that the protest had become more than an Ottawa stunt. "People who read or think it is a joke are very mistaken," said Hébert.



Students reading to Hébert in Senate consider striking for Kaitiwit

Liberal cabinet minister and ambassador Girard Pelletier, a close friend. "He is one of the most persistent men I have ever met."

Hébert said that his last was the only way to convince the Conservative government to reinstate Kaitiwit, the youth volunteer service that he founded in 1977, and force Ottawa to act on the "national tragedy" of youth unemployment. Added Hébert, insisting only on Vitell mineral water and the simplicity of youthful supporters: "I am not getting."

The senator's unorthodox protest drew a sharply divided response. In his native Quebec—where he is respected for his record as a crusading journalist and publisher, a civil libertarian and champion of youth issues—television and radio stations led newscasts with the story. The tabloid *Le Journal de Québec* headlined "On hunger strike for youth" Senator Jacques Hébert risks his life." Liberal Leader John Turner

praised Hébert's commitment but said that the action of his party colleague was "not a party gesture." Said New Democratic Party House Leader Ian Dums: "A government cannot be forced by somebody starving themselves to death to change its policies." And Prime Minister Brian Mulroney, in a letter noting that youth unemployment had declined to 34.4 per cent from 18.6, said the protest may not be "consistent with democratic principles so valued in Canada." But Hébert declared that Kaitiwit's constitution opposed Ottawa's

"lack of compassion" for youth problems. About 1,700 young people took part in the \$50-million program last year, earning \$1 a day in community projects.

At work's end, Hébert said he was encouraged by literature and phone calls from supporters—including former prime minister Pierre Trudeau, a longtime friend, fellow journalist, trooping companion and coauthor of a book on China, who appointed Hébert a senator in 1985. A host of about 300 students rallied on Parliament Hill, chanting "Hé-ber, Hé-ber." Although clearly heartened, Hébert appeared tired as he took calls on a portable telephone. Then, after the reporters and cameras departed, he snuggled his blue sleeping bag on the hard marble floor, changed into a longly patterned house coat and went to bed.

—MARCH 1988 with KEN MACQUEEN and MICHAEL BORE in Ottawa

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Nelson in the House last week: sweeping proposals affecting every Canadian

## Exposing Big Government

When reporters crowded into Parliament's Reading Chamber Room last week for an advance look at a long-awaited study of waste and inefficiency in almost 1,000 federal government programs, they encountered the kind of elaborate security usually reserved for federal budgets. But while budgets can have an immediate effect on taxpayers and the stock market, the impact of the 21-volume study carried out by a task force under Deputy Prime Minister Erik Nielsen was likely to be far less immediate. Even though the massive study proposed sweeping measures to reorganize or eliminate government programs, Nielsen moved swiftly to reassure those who use the suggestions as a guide to a dramatic round of spending cuts. The proposals, insisted Nielsen, did "not represent government policy, nor are they decisions of the government."

Indeed, if Prime Minister Brian Mulroney's government decided to adopt the task force's most draconian recommendations, it would create an unprecedented upheaval in services Canadians have come to expect. Admitted the report's authors: "Every Canadian is affected in one way or another by the programs studied." In their year-long examination of tax breaks and about

\$90 billion worth of Ottawa's current annual spending programs—both defense and foreign aid were exempt from scrutiny because the report focused only on services directly affecting Canadians—the 201 civil servants and private sector volunteers working under Nielsen uncovered alarming evidence of mismanagement. Among the chief findings:

- Federal spending is "out of control" because too many politicians and civil servants fail to understand the total impact of hundreds of programs, tax breaks and regulations they administer.

- Under an "overly rich and overlapping" network of subsidies and the broader but less tight tax was worth \$95.4 billion in 1985, Canadian firms have become "program junkies." While Ottawa goes "with both hands," the funding produces dubious economic results.

- Systems for evaluating programs are "generally useless" and programs are rarely challenged or eliminated because "self-serving" civil servants want to preserve the status quo.

- Between \$44 and \$40 billion worth of government real estate, including barracks, airports and buildings, are "undermanaged and overstaffed" and many properties should be sold off to other governments or the private sector. Buried in the thick volumes of find-

ings were dozens of specific recommendations for different approaches to reorganization of programs covering everything from prisons and national parks to the Canadian Broadcasting Corp. and native affairs.

Although the report recommended ways of improving social programs—including turning highway houses for stranded prison inmates over to private enterprise—the task force conceded that Canada's poor and disadvantaged "are in fact angry." And it recommended that established welfare programs be left in place until opposition politicians swiftly rejected the report as an attack by the government to justify radical changes in social services. New Democratic Party Leader Ed Broadbent vowed to fight any cuts in "people programs." Liberal Leader John Turner declared that "efficiency cannot be achieved on the backs of the poor, the aged, the unemployed or our young people."

While the Tories tried to distance themselves from the more controversial proposals, some recommendations have already been implemented. Parts of the report were in the government's hands before the May 1985 federal budget, which cut \$1.8 billion in spending and outlined a number of tax breaks, such as the widely praised research and development tax credit. Other measures not requiring major legislative changes, including new policies for subsidized low-income housing, have been quietly adopted since last summer. And parts of Finance Minister Michael Wilson's budget last month were clearly inspired by still other recommendations.

Wilson ordered a \$500-million cut in departmental budgets this fiscal year, a freeze on year-end discretionary spending by bureaucrats, an incentive salary freeze for senior civil servants and the elimination of some corporate tax breaks. Private sector task force members said they had felt "an inhibition about posing awkward questions or advocating controversial solutions where necessary."

Now the Mulroney government will have to decide if it is willing to risk voter anger and press ahead with some of the radical proposals—to make more efficient use of taxpayers' money.

—MICHAEL MOSE in Ottawa



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The Mulrooney at Tory youth meeting: reciting a list of accomplishments

## The mixed Tory moods

Jude Johnston stood at the microphone at Montreal's cavernous Palais des Gasgrés and delivered an apologetic warning to Prime Minister Brian Mulrooney. "Don't be willy-willy," the Vancouver university student said at last week's Conservative party national convention. Many of her 3,000 fellow delegates brought a similar message to the three-day gathering. The Mulrooney government, they said, was not moving quickly enough to implement the tough policies needed to restore the nation's economic health. Said Mark McGuire, vice-president of the Conservative club at the University of Western Ontario: "Unless we clean up our act, we don't deserve to be re-elected."

Mulrooney said that he was not bothered by the criticism. He acknowledged that some party members were unhappy, but he added, "It wouldn't be the Conservative party if you couldn't find somebody who finds things unacceptable." In his keynote address to the convention on Friday, Mulrooney recited a list of government accomplishments—they danced with his wife, Rita, in his 1984 campaign theme, "We're Taking It Now."

Some delegates to the convention—the first since the Tories took power 18 months ago—shared the Prime Minister's upbeat mood. Said Jeanne McLaughlin, a 21-year-old delegate from British Columbia: "It's well understood that the government is new and there are bound to be mistakes.

But people are basically very excited about the future."

Still, astounded observers said that the event lacked the excitement and celebration that has marked previous conventions. One reason was the release of a new Gallup poll that showed the Conservatives trailing the opposition Liberals by five percentage points. "Even in early February, the poll showed that 36 per cent of divided respondents supported the Tories compared with 41 per cent for the Liberals and 23 per cent for the New Democratic Party. While Mulrooney retorted that he was "not particularly happy" with the polls, he added, "I don't get excited when results are bad." He noted that a more recent Angus Reid Associates poll taken March 2 to 5 showed the Conservatives two points ahead.

There were also encouraging reports for the Tories at week's end: the multi-ethnic Bank of Canada now tumbled more than one percentage point to 20.69 per cent, triggering a drop in lending and mortgage rates charged by major banks. Mulrooney welcomed the dip as "the most important statistic of the day." Party president William Jaxton noted that for the first time in memory, leadership—the issue that has caused so much strife at previous Tory meetings—was not in question. For the newly alarmed Jaxton, that lack of convention "drama" was a "blessed relief."

—PAUL GIBBELL and CONY BARRETT in Montreal

## Taking on terrorists

Like Sweden, whose prime minister, Olof Palme, was assassinated last month, Canadians have recently learned that even peaceful nations can be the victims of political violence. Last year terrorists gunned down a guard at the Turkish Embassy in Ottawa, a bank near Toronto's financial district, and an explosives-laden car caused by a terrorist bomb—designed in Air-India jet, killing 259 people, most of them Canadian, in response, Solicitor General Pierre Beatty last week announced the formation of a special "task-force" task force, the Special Emergency Response Team (SERT), that would make no compromise. Said Beatty: "Terrorism is no longer something that happens somewhere else."

Consisting of two rotating teams of 20 officers each, the SERT will undergo constant training, constant drills and constant testing. Canadian Forces aircraft will be on standby to whisk them from their base in the Ottawa area to terrorist targets. The unit will begin recruiting SERT members from existing emergency response units in April. The squad, Beatty said, could be made within months. To strengthen the new measures, Ottawa will also replace private guards at diplomatic missions with trained law-enforcement and military airport security. Total cost of the squad and other weapons: 400 million this year and 300 million in subsequent years.

Opposition leaders welcomed the establishment of the anti-terrorism unit. But former Liberal solicitor general, Robert Kaplan and that it should be operated by the Armed Forces instead of the new because police officers are not trained as "killer" stations. And David Chertoff, director of the Centre for Conflict Studies at the University of New Brunswick, declared "What you are requiring people to do is engage in a small act of war. It might only last two or three minutes, but that's what it is."

A critical issue to be resolved in any crisis is potential command conflict between SERT and local police forces. That problem arose between SERT and Ottawa police in the Turkish Embassy case in March, 1985. But Brian Harvey, spokesman for the solicitor general's department, said that command and control procedures are being revised to accommodate SERT. Issued: Harvey "We are all on the same side."

## WORLD

# Bold steps in Brazil

On a shopping spree at a supermarket in Curitiba, a city in southern Brazil, he realized that the system had ruined its own defence of President José Sarney's frame. In the name of President Sarney's, Maracynski threatened, "I declare this supermarket closed." Soon after, the shutters came down. "I feel like Superman," said Maracynski.

In fact, Maracynski's powers are shared by millions of his countrymen who are aware that Sarney's call last month to mount a "life-and-death struggle against our public enemy No. 1—inflation." Garrying price lists and wearing logo badges proclaiming them to be "Sarney's inspectors," Brazilians are engaged in a crusade to help enforce the president's policies. In the process, they are exerting their own brand of people power just as year after Brazil's long-awaited return to democracy.

Sarney's new policy, which includes wage freezes and the creation of a new assembly, may also have saved his government from collapse. The president, 58, had been widely regarded as a weak and unpopular candidate. Two weeks before he elected Brazil's first civilian president after 21 years of military rule in January, 1985. But Sarney did in April, and Sarney, his vice-president, took office instead—and soon found himself in political difficulty. Then, he opened his assault on inflation, which threatened to approach 800 per cent a year. Sarney's approval rating in opinion polls suddenly jumped to more than 80 per cent from a low of under 30 per cent. Still, his standing could fall dramatically if inflation remains high.

And the president faces a range of other tough problems, from poverty to land reform to maintaining the support of the powerful armed forces.

The presidency of the nation of 180 million people is a position that Sarney says he "neither sought nor wished for." A self-described "minor

that of the generals. Those complaints increased last month when the president shuffled his cabinet, replacing several Neves appointees with ministers who had come from the former military regime. The move threatened to disrupt the coalition, and the political tide shifted toward Leonel Brizola, the So-



See Paulo show divinity; Sarney (below): 's life and death struggle against inflation'

vielist governor of Rio de Janeiro state Congressional elections are scheduled for November, but Brizola and others called for a general election to replace Sarney—who, with Neves, was chosen by an electoral college of congressmen and state representatives—and complete the transformation to democracy. Already, political observers had begun looking ahead to a showdown between Brizola and Jango Quadros, the right-of-centre mayor of São Paulo.

Sarney had to act fast—and he did. Not only did he freeze wages and prices, he dismantled the complex rationing system that pegged all financial activity in relation to the support of organized labor, the president set up a new system of unemployment benefits. And he replaced the weakening currency, the cruzeiro, with the cruzado, each one worth 1,000 of the old lula, or about 16 Canadian cents. Said Sarney: "This is the first step in the task of national reconstruction."

Indeed, the reaction to the presi-



dent's economic crusade has been largely positive, despite grumbling from labor groups and producers. The day after Sarney's announcement, a group of foreign bankers said that they will reduce the interest rate on \$11 billion in Brazilian loans. Meanwhile, average Brazilians as well have taken Sarney's price-policy much more seriously. In Rio de Janeiro, mobs attacked two beefed-up restaurants for raising prices, and in São Paulo charges have been brought against donors of supermarket managers after alleged arrests. But the main criticism could be a double-edged sword for Sarney's government, which could suffer heavy losses in the November elections if inflation has not been tamed. "They have unleashed a tiger in the streets by mobilizing the people," said former planner Antônio Azeiteiro Delfino Netto. "Now they must listen to it."

There are other reasons for gloom over Sarney's vision as well. Despite the apparent affluence in such cities as São de Janeiro, Brazil has widespread poverty and nowhere worse than in Sarney's native northeast. There, in the coastal city of Fortaleza, people pick their way across mountains of trash strewn for edible morsels, watched by stinking rats. The recently infant mortality rate is 240 per 1,000 births, three times the national average. And those children who survive are often physically and mentally handicapped by malnutrition. "We are creating a race of idiots," warned Dr. Fernando Augusto de Lima, a São de Fortaleza. Sarney has earmarked \$4.5 billion to irrigate the area's drought-ravaged land. And he has announced an ambitious plan designed to eradicate absolute poverty in Brazil in four years—a promise that, for now, remains mostly on paper.

Sarney has also made little headway on rural development. In Brazil, 40 percent of rural landowners own 98 percent of farmed land. But Sarney's bold 25-year plan, which called for the resettlement of 7.1 million families on some 13 billion acres of mostly private land, was emasculated by farmers' groups and the conservative press. The law introduced last October is a first step in providing that protects private property. Said 31-year-old laborer Valdemir José Vianna: "We poor are the rich man's dogs." Whether Sarney can use his newfound popularity to combat poverty more effectively remains uncertain. For the moment, his open affection for his own political future—and the all-important inflation rate.

—BOB LUTIN in Toronto with MICHAEL UDEWILL in São Paulo

## PHILIPPINES

# A web of secret wealth

In the high-spirited aftermath of the flight of their former leader, the new Philippines government last week continued to assess its losses—the richest that are still in the grip of Ferdinand Marcos. The figures were high as much as \$14 billion worth of real estate, art, jewelry and other holdings, an amount equivalent to almost 40 percent of the country's national debt. And as Marcos resumed his exile in Hawaii, the three-week-old government of Corason Aquino intensified efforts to recover some of his worldwide assets.

Aquino has established a commission to investigate Marcos's holdings and last week ordered a freeze on those that could be found. And the

because of the former president's complex web of holding companies, secret bank accounts and trusts. And there were signs that more wealth was being spirited out of the country by Marcos boys. Manila airport customs officers last week stopped a departing traveler and confiscated \$55 million worth of jewelry that officials say belongs to Marcos's wife, Imelda.

Meanwhile, Aquino's government took steps to consolidate its power. Defense Minister Juan Pardo Lacor ordered the arrests of Marcos's friends and National Assembly members Arturo Paredes and Orlando Dela Cruz, both expelled in 1976 for connections with the 1973 presidential election. As well, Aquino established a commit-



Approach to the election: Sarney's new data, a new name and a new image

Reagan administration said it would give the new government copies of the 1,500 documents that Marcos took into exile—records that may contain clues about his investments. Said Washington lawyer Lawrence Kirsch, who represents the Aquino government: "It is a positive first step on something so in our retrieval of the ill-forgotten wealth." At week's end, though, the U.S. district court in Honolulu temporarily barred court officials from releasing the papers after Marcos's representatives filed for a restraining order.

Still, some of the Marcos fortune has already been located. Government investigators announced that they had discovered \$11 billion in a Swiss bank account. But they added that tracing other assets will be difficult.

tion to study whether his administration should prohibit itself a constitutional government.

That would allow Aquino to bypass the assembly, dominated by members of Marcos's New Society Movement (NSM). Indeed, U.S. state department officials said that the former president was still trying to control the NSM—in spite of growing disenchantment. Last week 22 NSM members called for the party to cut all ties to its former leader, and Blas Ople, Marcos's labor minister, announced that he would form a new party. Said Manuel Garcia, a former deputy minister of justice: "We should now start with a new slate, a new name and a new image."

—LEN NEWMAN in Manila



Marces in the face of scandal, a suicide with an eight-hour kitchen knife

## THE UNITED STATES

# Corruption's fatal cost

Since he was first elected mayor of New York City in 1975, Ed Koch

has been best known for his energetic, political instinct and his trademark phrase, "How's it done?" But last week it became clear to New Yorkers that Koch, after nearly 15 years of resolute moral conduct, was beginning to waver. He was not doing very well at all. In fact, a New York Times poll of 1,176 of his 7.5 million constituents last week showed that more than half did not believe their mayor when he said that he was not aware of serious corruption. And one poll respondent, social work student Jay Monahan, "There is always one bad apple in the barrel that he might not have known about, but not the whole barrel."

The first alleged bad apple was Koch's friend and political ally Donald Mones. The 55-year-old Queens borough president was stopped by police when driving erratically on a Queens highway at 2 a.m. on Jan. 10, bleeding from cuts to his wrist and ankle. Mones said he had been abducted but he later admitted he had tried to kill himself. Later, lawyer Michael Dowd, who runs a collective agency for the city's parking violations bureau, told a federal grand jury that on the instruction of Mones in 1981 he had headed bureau deputy director Geoffrey Lindemann \$50,000 (U.S.) in kickbacks in 18 months. Then Lindemann was indicted for extorting more than \$410,000 in cash, trips and theatre

tickets from three city contractors. Federal investigators, suspecting that kickbacks by collective agencies might be occurring elsewhere, found similar abuses in Chicago. That led Chicago Mayor Harold Washington to fire two senior officials—one accused of taking bribes, the other of refusing to co-operate with the investigation. And last week the Chicago mayor asked for federal observers to monitor that week's municipal elections, claiming that "money has been flowing like water" to influence voters.

Meanwhile, Koch tried to distance himself from his city's scandals, which U.S. attorney Rudolph Giuliani was not out. The mayor said that his friend Mones—known as the "King of Queens"—and one of the city's most influential Democratic politicians—had "engaged in being a crook." Koch then faced the resignation of three twice New York transportation commissioner officials. Explained Koch: "I am convinced I am absolutely justified that this kind of corruption could have occurred." And last week Koch announced a joint state-city study of corruption and a "broad range of reforms." But at week's end, Koch's plans for reform were cast into doubt by a reportedly dispendent Mones, the key figure in the burgeoning scandal, attempted suicide a second time and died in his Queens home after stabbing himself in the chest with an eight-hour kitchen knife.

—BOB GREEN in New York

## CHILE

# Chile after Marcos

The speech by Chile's most powerful opposition leader was billed as a tribute to the victims of Huelga and the Philippines who forced their tyrannical leaders into exile. But the real target was clearly much closer to home. Christian Democratic party chief Gabriel Valdés did not directly attack Chilean dictator Augusto Pinochet in an address to party members last week. But he did say that Chile's the door had been closed to radical reform, and as a result "the moment has come for mobilization and for deliberations between democracy and dictatorship." Declared Valdés: "After this is over the Philippines, the conscience of the world turns to Chile."

Others expressed dissent violently as Chile's government officials celebrated the fifth anniversary of a constitution which kept Pinochet in power until 1981—fully 40 years after the blood-soaked coup that ended the democratic government of Salvador Allende. Guerrillas blew up electricity pylons, blasting out a 700-kilowatt strip of central Chile, and set off seven bombs in public buildings. In the capital, Chilean Congress issued a statement calling for an end to repression. And the U.S. administration last week expressed "deep concern" over what it called "the troubling human rights situation in Chile." At a United Nations Human Rights Commission meeting in Geneva, where the Reagan administration had previously vowed against or abstained from anti-Chilean resolutions, short U.S. delegate Richard Schifter expressed "disgust" over the kidnapping and torture of Chileans by the country's security forces. Schifter produced the failure of U.S. "strict diplomacy" toward Chile.

But Washington, Interior Minister Ricardo Lagos, defiantly rejected the mounting criticisms, including recent statements by U.S. Assistant Secretary of State for Inter-American Affairs Elliott Abrams that tactics used to help end authoritarian regimes in Haiti and the Philippines had been the same effect in Chile. Added Lagos, who said that Chile will go on to either domestic or international pressure: "The government of the republic and the current which governs its actions are the Chilean within the framework of a profound respect for the rights of man."

## SWEDEN

## A final farewell



Olof, poignant tribute

The mourners assembled from around the world to pay their final respects to a fallen colleague and brother. Some 600 foreign heads of state, dignitaries and personal friends gathered in Stockholm's city hall last week for the funeral of Swedish Prime Minister Olof Palme, killed by an unknown assassin's bullet July 28. The memorial week of tributes to Palme began Monday with a nationally televised funeral. As Olof, widely known in New York in 1980, a long-scheduled Stockholm performance became a moving memorial when 1,200 mourners rose to their feet and joined Olof in the singing of the Lenman song *Imaginer och Giv Peace a Chance*. "Olof Palme was a man of peace who worked all his life for the betterment of the world," Olof told the audience. "The people of Sweden were his family. And when you see a close family, I know what it means."

## SOUTH KOREA

## Growing discontent

Faced with growing public demands for direct presidential elections in South Korea, the country's powerful president, Chun Doo-hwan, has responded with both toughness and new concessions. In February Chun placed nearly 300 opposition party members under house arrest and ordered police to blockade entrance to opposition offices. Later the president, preparing his country for the 1985 Olympics and under pressure from the U.S. administration, acknowledged that he had overreacted and committed his ruling Democratic Justice Party to constitutional reform—just two years after his seven-year term expires in two years. But last week about 2,000 supporters of the main opposition New Korea Democratic Party staged a massive rally in the streets of Seoul, the largest public demonstration in six years. And three minority companies erupted in violence when police clashed with student protesters chanting "Down with military dictatorship" and "Abolish the constitution." Chun pledged to crack down again on future mass protests. Declared the (may-will) president, "They should never be justified for any reason."

## ISRAEL

## Unconventional behavior

It was the first convention of Israel's right-wing Herut Party since former prime minister Menachem Begin resigned in 1983 after 10 years as party leader. Foreign Minister Yitzhak Shamir, the current party leader, who is scheduled to exchange positions with Prime Minister Shimon Peres in October under a coalition agreement, was seeking re-election. Instead, Shamir—supported by the predominantly Ashkenazi, or European Jewish, wing of the party—found himself in a brutal power struggle with rival members Ariel Sharon and David Levy, who were supported by Sephardic Jews of

Arab and North African origin. And after four days of a heated factional debate and even fistfights among the 2,000 delegates, the convention ended with the party in disarray—and without a leader. At week's end, political analysts said that the delegates' refusal to endorse Shamir will not affect his exchanges with Peres. But because the convention was intended to elect candidates to determine Herut's candidate for prime minister in the next national elections, it did deadlock could invert Shamir's longer-term political aspirations.

## AUSTRALIA

## An unusual royal tour

As royal visits go, Queen Elizabeth's 21-day tour of Oceania and Nepal was far from the common run. Protesters in both New Zealand and Australia exposed themselves to the Queen, greeted her with eggs and even threw a hose on her. In New Zealand a man greeted her with a traditional Maori haka, waving his tattooed buttocks at the Queen and Prince Philip. A woman, reportedly protesting the lack of Maori rights, hit her with an egg. In Sydney another woman, who thought the Queen too conservative, handed her breasts during a royal visit. In Adelaide two youths turned a hose on the Queen and Prince Philip as they entered a hotel, although the royal couple was only lightly splashed. And Australian students twice greeted appearances by Prince Philip with noise, jeers and cheers. When the tour ended on Friday, the Queen flew home to a crash of another kind, the timing of the announcement of Prince Andrew's impending engagement to 26-year-old Scotswoman Sarah Ferguson. Observers said the Queen entered a "cooling-off" period. Her husband said he had earlier been involved with film actress Koe Stark.

## SPAIN

## Voting for NATO



Gonzalez victory

As the unexpected scope of their victory became evident, Spain's ruling Socialist coalition with champagne and confetti. After an intensive 46-day campaign to persuade voters to maintain Spain's membership in the North Atlantic Treaty Organization (NATO), which the nation joined in May, 1982, the referendum result last week was contrary to opinion polls that indicated a majority was in favor of withdrawing from the alliance. Instead, Spaniards voted 58.5 per cent in favor of membership. Following Spain's entry into the European Community last January, Socialist Prime Minister Felipe Gonzalez—who came to power in December, 1982, on an anti-NATO platform—argued that withdrawal from the military alliance would be tantamount to "reneging a house without paying the rent." He added Gonzalez: "Our opening to the outside world is at stake. Let us not compromise our common destiny with Europe." Spain's 300,000-member armed forces, concentrated along the Mediterranean coast and in two North African enclaves, are involved in the defense of NATO's southern flank. In Brussels a senior NATO official welcomed Spain's decision, saying, "It means very much. It has ended the alliance from a crisis of confidence."

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# The power of analysis

Last month CBC television reported that the federal government and four provinces had turned down a request from the Bank of British Columbia for an \$800-million investment package. Then, Roy Palmer, a respected bank analyst with the Toronto brokerage firm of Alfred Best & Co. Ltd., made disparaging comments about the bank's method of computing its \$7.5-million net income last year. The effect was devastating. Within 10 minutes of opening trading the next morning, the bank's shares tumbled 85 cents to \$4 on the Toronto Stock Exchange (TSE). As a result, the bank swiftly filed, and vigorously pursued, a libel suit against the CBC—and against Palmer—claiming that the report was completely erroneous.

This unusual action shocked Canada's 1,540 financial analysts who make a living for themselves and others with their diagnosis of stock market trends. "It is normal for analysts to question whether reported profits reflect true earning power," said Ross O'Reilly, the president of the Toronto Society of Financial Analysts. "If analysts are being sued on that basis, it is discouraging."

The episode focused attention on financial analysts themselves—and the power that they wield. Every week analysts at brokerage houses or investment dealers issue reports that set out the risks and the rewards of investment in specific stocks and bonds. These reports give individual investors and institutions such as life insurance companies, pension funds and trust companies who are clients of the brokerage firms "the reports on make-and-sell securities board—a company. Last week William Bagg, a respected oil analyst with First Boston Corp. in New York, issued a "buy" recommendation on major international oil stocks because he reasoned that oil prices had "bottomed out." Within hours trading in oil and gas shares as the TSE increased more than three per cent.

Most Canadian analysts are more cautious. A glowing "buy" report could

cost investors millions if it is wrong—and could damage the credibility of the brokerage house. A damning "sell" report could hurt a struggling company. "If an analyst has a good reputation, he

analysts whose pronouncements create enormous market swings. Philip Hunter, a portfolio strategist in the Toronto office of Montreal-based Nabors Thomson Baggard Inc., also points



Toronto Stock Exchange: processing stocks, using computers and directly stock reports

out drive stock prices right down—it can be devastating," said Dennis Beggs, the executive director of the Canadian Council of Financial Analysts. "But all that analyst has to do is to be wrong a couple of times—and their nobody clients sigh. So analysts tend to bolder their bets."

Even if a Canadian analyst does issue a clear sell recommendation, it rarely has the same dramatic influence as a recommendation by such high-profile U.S. analysts as Henry Kaufman, chief economist at Salomon Brothers in New York. In 1982 Kaufman's announcement that interest rates would decline caused a record jump in the Dow Jones industrial average. The New York market is dominated by a handful of large brokerage firms which draw most of their business from institutional clients with huge pools of capital. As a result, it is easier for a prominent analyst to have a more dramatic and immediate effect.

In contrast, Canada has few star

analysts who can move the market as heavily influenced by the U.S. market. As a result, Canadian analysts are unlikely to make sweeping recommendations without consulting U.S. market trends.

But Canadian experts can affect the future of individual companies. Geoffrey Carter, a mining analyst at Midland, Doherty Ltd., wrote a brutally frank report on Canadian Mines Ltd. in January, 1984. That report predicted significant losses at Denison's Quinette mill near in British Columbia—and revealed that some Japanese buyers were reneging on their purchase orders. Since then, the stock has fallen about 30 per cent—while the mining index declined only slightly.

Analysts' reports can also drive up stock prices. In late 1984 Burns Fry Ltd. studied Inco-City Gas Corp. of Winnipeg and its acquisition of Northern and Central Gas Corp. Ltd. of northern Ontario and Manitoba. Then, the firm issued a "buy" recommendation—and the stock climbed to \$16.75

last year from \$9.80. Said Douglas Cunningham, a regulated industries analyst at Burns Fry in Toronto: "It's a company's stock rises or falls, it is the result of the company's own hand. We interpret facts to report a story—but we do not create it."

Canadian analysts tend to be modest about the power they exercise, but the companies that they scrutinize—and their clients—freely acknowledge it. Every 18 months Brenda Day of Telus and Partners Inc. of Toronto consults most of Canada's large institutional investors to rank analysts based on the amount of commissions they generate.

based salary and bonuses based on the business they attract to their firm's customers.

Canadian analysts base their predictions on a wide range of corporate data. They study current—and anticipated—strong power, liquidity, management capability, a firm's record, the historical value of the shares and the amount of control that the firm has over its product prices.

Top analysts also conduct personal interviews with senior corporate executives to learn the firm's strategy that they monitor. "It is the one area where there is an opportunity to go beyond the material

invest—how access to the analysts. But there is more than \$70 billion held in the 75 largest investment funds, and that can buy a great deal of personal attention.

Atlix Granger, a portfolio manager and a former analyst at Vancouver's Pemberton Hession Willoughby Inc., said that many analysts sometimes issue a report for institutional investors—and then publish a shorter report for retail brokers. "At some firms, brokers do not have easy access to the analysts. In that case, up their time and sometimes [brokers] are not allowed back to them," he said. "Some analysts have an utter disdain for the retail side."

The requirements of those large institutional investors are also partially responsible for the fact that there are few sell recommendations. Analysts know that it is difficult for those investors to sell or buy large blocks of shares without affecting stock prices. Instead, analysts concentrate on the long-term outlook, sometimes in the frustration of smaller investors who might want to make short-term deals.

Analysts also face potential conflicts of interest. Owners of many brokerage houses often find themselves in an uncomfortable position: their underwriters may be selling a new share issue for a company at the same time that their analysts are circulating unfavorable reports about it. Michael Dugg, research director at the brokerage firm of Capital Group Securities in Toronto, says that people in utility companies are one group that has influence with the senior management of brokerage houses because they use those firms to raise large amounts of corporate financing. "They say, 'You control that guy or I am going to take those commissions to someone else and then I can't do it,'" he said. Analysts also risk losing their valuable corporate connections if they are too negative. Said Granger: "I have seen many instances where analysts have put out a sell order and a company will no longer talk to them."

Despite those pressures, most analysts tell the truth because their reputation depends on the accuracy of their reports. Jack Pansop, a longtime forest products analyst at Pemberton Hession, is grateful that he has been out of town occasionally when he does not favor a firm that Pemberton is underwriting. "Last January, when our company was involved in a particular forest products issue, I went out of town for two weeks," he said. O'Reilly adds that "biased research is of no use to anyone. "It has to be impartial," he declared. "A conscientious analyst always remembers that he is dealing with other people's money."

—MARY FARMAN with AND WILLIAMS and THERESA DELICIO in Toronto



Michael O'Reilly (above): sorting out the risks and rewards of investments

for their firm (page B1) John Chiao, corporate affairs vice-president at the Vancouver-based conglomerate Genstar Corp., said that there are about two dozen analysts with in-depth knowledge of his firm. "If one of these key people came out with a statement that I disagreed with, it would be a sign that—especially since other analysts follow them," he said.

For analysis, a career based on predictions about the future is a difficult job but financially rewarding. Most of them have university degrees in business or economics. Analysts who specialize in highly specialized fields such as mining often have engineering or geology degrees as well. In return, analysts earn between \$30,000 and \$50,000 a year in com-

that anyone gets in the work," said O'Reilly. The resulting reports are usually crafted for institutional investors, largely because of their huge spending power. All clients—from the largest fund to an individual with \$1,000 to





# The market's very best

Nearly every working day, Canada's securities analysts offer revenue recommendations that clients rely on in making million-dollar investment decisions. Marlene's assistant business officer Theresa Tedesco spoke to the five analysts rated as the best in their sector on a highly respected survey conducted by Toronto-based consultants Brewster Wood, Tuttle and Partners Inc.

**High Brown:** He is known as "the best" in his field. He is probably well over his research. Brown, a 37-year veteran at BMO Fy Ltd. in Toronto, has a well-earned reputation as the top analyst studying banks and trust companies—a field that one money manager called the most over-analyzed sector in Canada. In an area that puts a premium on innovation, one of Brown's strengths is in predicting company profits.

Brown, 38, says that success is based on timing. Some of his recommendations are derived from what he describes as "gut feelings" like the one that led him to predict before last fall's banking crisis that the performance of Canada's small chartered banks would be sluggish. He was proven right when two small banks failed and a third merged with a larger bank. Said Brown: "Power depends on an analyst's track record and his credibility with the company's sales force."

From his computer-aided office on the 34th floor of First Canadian Place in downtown Toronto, Brown dispenses broad knowledge of banking without ever having worked in a bank. After receiving an MBA from Dalhousie University in Halifax in 1980, he went directly to BMO Fy, starting as an equity research analyst and rising to be a director of the company.

**Philip Heltzer:** Trained as a chemical engineer at McGill University in Montreal, Heltzer, 41, is the leading northern strategic analyst at BMO Fy, starting as a research analyst and rising to be a director of the company.

recommended that his clients invest in Starbuck Inc. grocery stores and Power Corp. of Canada. Both stocks rose steadily last year. Starbuck jumped to \$40 from \$15 and Power went to \$98 from \$23. At the same time, he advised investors to sell their holdings in Bell Canada—a company that he had previously recommended—just before Bell's stock fell to \$36 from \$44 last year.

Before joining Nesbitt in 1972, the father of two teenagers spent a year working as a mutual fund analyst and a half advising pension fund clients at a

firm to about 60 clients—mainly large institutional investors and money managers—and does her research at night and on weekends. Heltzer's reputation has grown steadily since she joined the Toronto-based company in 1980 after spending five years as a media manager at Dominion Securities Ltd.

A 1975 economics graduate of Queen's University, Heltzer works hard to maintain a network of industry contacts. These connections are vital for obtaining information that might affect the price of stocks that her clients hold. "Self-imposed pressure is the thing that makes you professional," she said. "That means keeping up to date so that I can make informed statements when news happens."

**John Devlet:** A strong technological background has helped Devlet, 35, a high-technology analyst at Loewen Exchange McCutcheon & Co. Ltd. in Toronto, to make sound investment calls. A 1981 graduate of the University of Toronto with a B.Sc. in engineering physics, he received his MBA at the University of Toronto four years later. A self-acknowledged obsessive about high technology, he was one of the company's founding directors 16 years ago.

"The pace of change is so rapid in this sector, you just can't turn your back for too long," he explains. A pilot who owns a single-engine Cessna, Devlet predicts that the aerospace and electronics industries are where most of the future market activity—and money—in high technology will occur.

**Michael Manfred:** The role of an economist as a brokerage firm is to predict where the overall economy is headed. Manfred, 35, chief economist at Toronto's Merrill Lynch Canada Inc., has been highly successful at interpreting changes in the U.S. and Canadian financial markets since he joined the company in 1978. Citing such events as the high inflation rates between 1979 and 1980 and the rapid increase in the strength of the U.S. dollar in the early 1980s, Manfred says that forecasting is difficult because the forces that were believed to be under control suddenly become wildly. Said Manfred: "Things sneak up on you because there are so many things to cover. But analysts always get read when they make errors in judgment."



Herman Jell and Brian Tedesco in research and the pressure of being

trust company. Because of that experience, Heltzer says he knows the kind of information that the people in charge of investing money for large institutions need. A meticulous researcher who likes to slip off to Toronto earlier to cast off in his suit for his education, he says that the only way to get people to act on an analyst's information is by convincing them positively. Said Heltzer: "If an analyst cannot sell his ideas and convince people to buy stock, then his research is useless."

**Leo Hansen:** At 33, Hansen is young to be the best in his field—communications and media. An analyst with Brown, Baidwin, Shaker Ltd., he spends most of his working time marketing her

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The fight against insects and disease is one of the most pressing forest challenges facing Canada. Registered by a vigorous federal government process and approved for use by each provincial jurisdiction, pesticides enable us to protect mature timber from the ravages of insects and to suppress competing vegetation. They perform the same role in the cultivation of fruits, vegetables and grain crops; indeed modern agriculture would not be possible without them.

In recent years, opposition to the use of pesticides has greatly reduced our ability to employ those essential forestry tools. The results in some parts of Canada are devastating.

— over 80 per cent of the fir forest in Cape Breton was killed by the

spruce budworm. The spruce and jack pine budworms are causing extensive damage in the northern boreal forests of Ontario, and similar losses are occurring in Quebec and the Atlantic Provinces. Many of these losses could have been contained had foresters been able to protect the forest adequately.

Deprived of pesticides, many forest management efforts are virtually meaningless. At stake is not only the welfare and productivity of the forest, but also the livelihood of tens of thousands of Canadians in hundreds of communities across Canada.

Forest protection is a responsibility that we owe today, both to ourselves and to future generations of Canadians.

To learn more about Canada's pulp and paper industry, write to Louis Fortin, Public Information Officer, Canadian Pulp and Paper Association, Sun Life Building, 23rd Floor, 1555 McGill Street, Montreal, Que. H3B 2X9.

## The pitch for an open trade policy

**T**he goal was simple. It was to tell foreign investors that Canada wanted their ideas, their expertise—and their money. Last week 300 investors from 21 countries met for three days with about 700 Canadian executives and government officials at a high-level investment and trade conference called *Opportunity Canada*. Held in Toronto's downtown Convention Centre, it was Canada's first international business conference, and

honored their pledge not to interfere with foreign investment, despite public opposition to several foreign takeovers. David MacNaghten, chairman of Public Affairs Resource Group Ltd., the Toronto-based owner of *Business Research Ltd.*, told conference delegates that polls showed that Canadians basically supported the government's new direction. Although Canadians "remain emotionally committed to economic nationalism," Mac-

Cho, who emigrated from Korea in 1965 and who now grows ginseng near King City, 30 km north of Toronto. His company, Chen Yu Ginseng Farming Ltd., each year exports nearly \$2 million worth of the root crop, which is used mainly in traditional Asian medicine. Cho said he is interested in farming black mushrooms for export and attended the conference to familiarize himself with the Canadian business environment. Another was Gennadiy Rastvor from Iran, a consultant representing Iranian companies based in West Germany. He said that his firm was interested in "agriculture, mining and forestry, especially on Canada's East Coast." One possible investment: exporting clay to pottery in Iran.



Convention Centre in Toronto: pro-investment speeches and a renewed international presence

Some of the delegates were critical of the scope of the conference. Chen Cheuk Ian, a consultant with the Government of Singapore (Canada is in Toronto), said that he was disappointed that there were not more companies with exhibits at the trade show. He added that his clients were interested mainly in joint ventures with Canadian partners.

Paul Labbe, Investment Canada's president, said that he viewed *Opportunity Canada* as a chance to showcase exactly what the new agency could do for foreign investors. He noted that the government did not simply change PITA's name but brought in many people to staff Investment Canada. Labbe himself, a former trade commissioner and founder of Interline Inc., a Montreal exporting company, was among them. After its creation last July, Investment Canada, along with other key government departments, embarked on a concerted effort to alter permanently Canada's image as a country hostile to foreign investment. That campaign began in earnest last September, when Sinclair Stevens, minister of regional industrial expansion, visited Japan. Since then, cabinet ministers have toured the globe and officials at 48 Canadian embassies and consulates have spread the new message. Last month Stevens led a Canadian delegation to

the unabashedly pro-investment speeches by dozens of top businessmen and politicians reflected the aggressive new trade stance of the Conservative government. But Prime Minister Brian Mulroney attempted to underline the importance of the event. And before a dinner audience of over 1,200 people, Mulroney repeated the phrase he had once used before a handful of influential New York executives in December, 1984: "I tell you this: Canada is open for business."

The Prime Minister's speech was intended to drive home the message to potential foreign investors that the era of economic nationalism under the government of former prime minister Pierre Trudeau was truly over. Last July the most visible symbol of that time, the Foreign Investment Review Agency (FIRA), was replaced by Investment Canada, an agency designed primarily to encourage foreign investment. Since then, the Tories have

signalled that "they realize that the past policies of economic nationalism and intervention were not working."

The conference setting itself made the government's new priorities clear. The delegates were able to visit 30 booths manned by representatives from companies, provinces and cities anxious to attract their dollars. Budhad Vaid, a businessman from Hong Kong, West Germany, said that his firm, project in Canada, a mineral water bottling plant near Middleton, N.B., will start production in September. He added that his business group wanted to invest up to \$100 million in Canada. Declared Vaid: "I married Canadian resources with German capital three years ago. If this conference had been held then, I would have saved a lot of time and money."

The investment projects that the delegates were interested in were as varied as their backgrounds. One delegate was firm manager Cheong Wai

Wong, Canada's first president, said that he viewed *Opportunity Canada* as a chance to showcase exactly what the new agency could do for foreign investors. He noted that the government did not simply change PITA's name but brought in many people to staff Investment Canada. Labbe himself, a former trade commissioner and founder of Interline Inc., a Montreal exporting company, was among them. After its creation last July, Investment Canada, along with other key government departments, embarked on a concerted effort to alter permanently Canada's image as a country hostile to foreign investment. That campaign began in earnest last September, when Sinclair Stevens, minister of regional industrial expansion, visited Japan. Since then, cabinet ministers have

toured the globe and officials at 48 Canadian embassies and consulates have spread the new message. Last month Stevens led a Canadian delegation to

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the prestigious World Economic Forum held annually in Davos, Switzerland, reviewing the Canadian presence that had been lacking in recent years.

A \$3-million, four-month-long advertising campaign in business magazines has also promoted Canada as a place to invest, and the Tories have created new posts for investment advisers at embassies in London, Tokyo, Rome, Chicago and New York.

Now, Investment Canada is planning to identify specific sectors and opportunities for foreign investors in Canada. A key part of the Conservative overall strategy, according to trade officials, is to market Canada as a smart place to invest because of the possibility of a free trade arrangement with the United States. If that comes to fruition, foreign companies would be able to make goods in Canada, ship them to the United States and bypass protectionist legislation.

Although the federal government contributed a \$500,000 interest-free loan to the \$1.6-billion cost of visiting Organizations Canada, the conference was largely a private sector operation. The conference was first promoted by a well-known Ontario liberal and former Tradesman aide, Dennis Mills, now vice-president of corporate affairs at Marlboro. Out-based auto parts maker Huges International Inc. Mills, who guided the enthusiastic support of the powerful Stevens, claimed the creation of 30 civil servants and corporate executives that guided preparations for the conference. Trade officials in Canada ambushed almost protected the conference in scores of countries.

Still, most of the organizing was done by Toronto-based Canadian Marketing Group (CMG) and media relations consultant Patrick Gossage. A former press secretary to Pierre Trudeau, Gossage said that of the sponsors, the government of Ontario and the Canadian Imperial Bank of Commerce brought the largest number of foreign delegates to the conference.

Twenty private sector executives also hosted 50 business dinners and parties last week to meet the record delegates on a more intimate level. Mills noted that this method constituted "the hard approach" common at trade fairs. "When you entertain people worth \$5 billion to \$80 billion, you don't want it to be a fun cocktail," he said. To attract more investment, the private sector will now have to work foreign investors more aggressively. Declares Mills, "Canadian business tends to be too laid back. We have to start hustling." Last week at Organizations Canada, it was clear that the battle had begun.

—MICHAEL GALLER, AND LINDA CARROLL  
Toronto and MACLEAN'S in Ottawa

# The end of a trusting era

For 27 years William Kenneth worked in bureaucratic anonymity, rising through the trade and finance arms of the federal public service until 1977, when he was appointed inspector general of banks under the minister of finance. Then, last year, Kenneth was thrust into a political machine when two Alberta-based banks collapsed. In Ottawa, opposition was called for his resignation. At the same time, a series of government and judicial inquiries began to reveal in embarrassing detail the shortcomings of Canada's system of banking regulation—much of it Kenneth's responsibility. Last week Kenneth, 55, said that he was taking early retirement at the end of this month. "The guy's been on the carpet a lot of times," said Conservative MP Don Blomquist, chairman of the Commons Finance committee. "He has really been required to protect the ministers in their jobs, and he felt that he physically couldn't carry the can any more."

Despite widespread speculation that Kenneth would not survive the controversy, last week he said that there was no pressure on him to resign. "The guy's been very hard on my personal life," he said. "It has been a very hard last year." Officially, the search for a replacement has not yet begun. But one source close to the Finance department said that at least one people, back top executives of financial institutions, were offered the job last month and turned it down.

With a top salary of \$191,000, the job pays less than that of a senior bank executive. But the financial community would welcome a replacement from within its ranks. "They're going to have to get a tougher man," said one industry analyst. "Kenneth was personally smart enough, but he was very trusting. I think he was led down the garden path a few times."

Meanwhile, Finance Minister Michael Wilson also wants to replace Gerald Boney, the governor of the Bank of Canada, whose second seven-year term ends next January. Two rumored candidates are Robert Johnston, central banker in New York, and Grant MacEwan, president of the Bank of Montreal. For Canada's banking fraternity, the replacement of the two top regulators will mark the end of a trusting era.

—MARC CLARK in Ottawa

# BUSINESS WATCH

# Bringing the world to Vancouver

By Peter C. Newman

The ultimate importance of Expo 86 may have little to do with the city itself. The British Columbia government and a determined group of Vancouver business leaders are planning to exploit the world event to revitalize ailing Pacific Rim countries (a leading a driving international financial centre. That move was made possible by a paragraph in Michael Wilson's Feb. 26 budget, which stated that Ottawa was "prepared to facilitate the establishment of international banking centres in Montreal and Vancouver."

British Columbia is determined to get there first, and the province's entrepreneur business are already plugging themselves into the lane-arm goal of turning Canada's West Coast port city into what they're calling "Genova on the Pacific."

Although it has never been tried in Canada before, there are many such international Financial Centres (IFCs) across the free world, with widely differing levels of freedom of movement to handle and finance foreign trade. They all allow banks to operate independently of their host country's tax laws, but that does not always include an exemption from personal taxes for the people involved in running the IFC banks and offices. "What we first brainstormed the idea of an IFC, the department of Finance in Ottawa said they couldn't meet all that revenue," says Phil Burton, senior partner at the Vancouver office of Price Waterhouse, who is one of the main architects of the idea. "The thing they missed was that if it were not for them, all these transactions would not occur here but in Bermuda, Singapore or somewhere else."

Among the advantages West Coast entrepreneurs trumpet for Vancouver is that such a decision would allow successful international traders to be able to deal all morning with the rest of North America and in the afternoon with the major financial centres of Japan and southeast Asia. (The only better location would be Hong Kong.)

The region's major cities, with a perspective eye in Montreal because that city would have a similar time zone eastward, doing business in the mornings with Western Europe and in the afternoons with the rest of the continent. The Montreal and Vancouver stock exchanges already have

working arrangements with the Hong Kong exchange and are negotiating to extend a similar arrangement to Tokyo.

North America's second-largest west coast port after San Francisco, Vancouver is home to many major shipping lines, one of which, Anglo Canadian Shipping Co., probably chartered more vessels than any other continental shipping company. But all of the accompanying services—insurance, cargo assignments, ship brokerage and



Burton: an international hub here

so on—now have to be handled elsewhere, mainly from London, and at least some of these activities could be transferred to Canada's West Coast. Other centres in an operating IFC would include merchant banks and the trading companies so essential to doing business in Asia. Much Pacific Rim business is not for cash but on the basis of countertrade—an innovative but radical departure which has no counterpart in Canadian corporate culture. Plans for making Vancouver an IFC

originated with John Brook, chairman of the Asia Pacific Foundation of Canada, in February, 1984. He met with the three levels of government and organized a committee consisting of himself, Burton, Bob Wyman, chairman of Twentieth Century Fox Television Inc., Gene Simons, president of the Bloor-Yonge Bank of Canada, and Don Haden, president of the Vancouver Stock Exchange. Three others have since joined: Arthur Hogg, chairman of Mitchell's Canada Ltd., Steven Kaufman, president of Macleod's (Food) Ltd., and Michael Galambos, a B.C. lawyer and former diplomat.

"Vancouver has every right to aspire to develop into a major centre within the emerging Asia-Pacific community, the heart of the service economy, Zurich and London now provide to the Atlantic community," I was told by Brook. "I include London because I see Vancouver becoming a place where the commercial and intellectual infrastructure is already in place to ensure that it will be a natural focus for world-class conventions, seminars and think tanks, perhaps attracting a major United Nations regional organization and similar activities."

Brook explains that what is needed, apart from attracting foreign banks, is to turn Vancouver into a service centre for the Pacific Rim, with shipping companies, marine insurance firms, cargo inspection facilities, commodity exchanges and the facilities to finance trade movements.

B.C. Premier Bill Bennett has been pushing the idea and was the first to bring it up at the Region's federal-provincial conference in February, 1985. "It means we can sweep into an additional area of economic activity without putting stress on our budget," he told me. "I was happy to see it in this year's budget and want to make provincial action to implement the necessary legislative measures a top priority. But it will take some time. At the moment there is no major financial centre on North America's West Coast, and Vancouver would be ideal."

It's doubtful that Vancouver will ever become another Geneva. British Columbia are so much in love with quality of life to become secretive, dear-brothers like those in the cantons of Switzerland. But becoming an international tax haven by exploiting this magic city's natural and commercial advantages will not only please the city but be fully compatible with the spirit of Expo 86.

## Freeing the press in the Philippines

Five years later Lorenzana held one of the most prestigious jobs in Philippine journalism. As an anchorwoman for the Manila-based television network Channel 4, her face was known to viewers throughout the sprawling 7,000-island

Islands P. Aquino, 56, city editor and columnist for the formerly pro-Marxist daily *Bayan Today* (that week renamed the *Manila Bulletin*) "All of a sudden we have broken our chains—and we were free."

In fact, even during the nine years of

the first effective journalistic opposition, Beltran resigned from the position of director at Manila's University of the Philippines to join the staff of *Bayan*, an opposition weekly founded soon after Aquino's death. Said Beltran: "When we heard that Ninoy had been killed, we just threw caution to the winds." Another writer, the Philippine Daily *Aspirer*, began as a weekly in February, 1985, to cover the trial of Gen. Fides Vay, Marcos's cousin and the armed forces chief of staff, who was accused of involvement in the Aquino slaying.

The *Aspirer* became a daily last December, shortly after Marcos's surprise announcement of the Feb. 7 presidential election. And the Aquino regime has not stopped its criticism. Beltran is now editor-in-chief, and his paper has attacked the new government for backsliding on a campaign pledge to abolish Marcos's Office of Media Affairs, now called the Information Ministry, which still has the power to ban television reports on public places.

The departure of Marcos ended one year of exile in San Francisco for Rogelio Lopez Jr., the 57-year-old former director of the country's largest media conglomerate, an *ABC*—which was taken from him by the government without compensation. In 1972, Bel Lopez was not yet Channel 4 but because Minister of Information Teodoro Locsin has said that the Aquino regime needs the network for its own purposes and he has recommended that Lopez sue the government for compensation. Meanwhile, Lorenzana, a contract to work at Channel 4 but as an editor, not as an anchor. She does not quarrel with the decision to take her off the air. She added: "I feel I have lost the credibility of the people. It will take a lot of time before I have paid for my sins."

—JOHN LARSEN in Manila  
with KATHLEEN ELLISON  
in San Francisco



Marquez (left) and (right) Aquino: a dictatorial regime, inequality and a 'corrupt' press

Pacific archipelago. But there was a major drawback: the station was under the direct control of then-president Ferdinand Marcos, who used it to provide positive coverage of his dictatorial regime. Doubled Lorenzana, 50. "Initially, our news began with a carefully crafted story about some Marcos announcement, designed to put him in a favorable light. Of course we were unhappy about the setup, but it was all we could do to keep our jobs."

That situation changed radically four weeks ago when a military-led rebellion overthrew Marcos and replaced him with Corason (Cory) Aquino, 53, the widow of assassinated opposition leader Benigno Aquino. Although Channel 4 remains under state ownership, its staff and management say that they now have the right to report on Aquino's administration without submitting their stories to government censors. They are not alone in their newfound freedom. For the first time since Marcos imposed martial law in 1972, the editorial columns of all of Manila's 22 daily newspapers are filled with reports and criticism of both the old and new administrations. Said Or-

marina: "Now there were few official government restrictions on the Philippine media. The problem, journalists in Manila said last week, was that virtually all the major newspapers, radio and television stations were owned by businessmen whose wealth and power derived from their unswerving loyalty to Marcos. That gave rise to the so-called 'crony' press, which protected the government and took a superficial approach toward anyone who opposed Marcos. Said Luis Beltran, 46, a columnist who spent 2½ months in jail in 1974 for criticizing the Marcos government: "Unfortunately, there were no independent publications worth reading during that period, so you either collaborated with the Marcos regime or you became apathetic."

The 1985 assassination of Benigno Aquino, one of Marcos's chief political opponents, led to



## Closing in on a tragedy

With only its running lights showing, the USS *Preserver* slipped into port at Cape Canaveral, Fla., last week carrying grim reminders of the space tragedy that swamped an orbiting nation on Jan. 28. The 214-foot U.S. Navy salvage vessel carried a coffin which contained some of the

right rocket booster—the prime suspect in the cause of the January disaster. And on March 12, salvage crews located a four-by-five-foot section of the booster rocket 12 miles offshore in 600 feet of water. Officials say they hope that the 500-lb. piece of wreckage will help to determine why smoke and

soot. Officials are hoping to answer such questions with data from the tape machines that were installed in the cabin to record conversations among the crew. Unlike the flight recorder, which survived on another shuttle, those machines were not designed to withstand heavy shocks or submersion. But NASA officials and the astronauts' relatives said that the tapes would reveal more information about the Challenger's last moments before it exploded 73 seconds after lift-off. Said Bruce Jerns, father of Challenger payload specialist Gregory B. Jarvis: "I'd like to have some proof, some tangible proof, that they were somewhere, that they didn't just disappear."

Meanwhile, in Washington, NASA's acting administrator, William Graham, reported in the agency's plan for perfecting the shuttle program back on schedule. He told a congressional committee that to ensure crew safety the remaining three shuttle craft would not be launched for at least a year and that subsequent launches will take place at a much slower rate than the monthly schedule NASA originally planned for 1986. He also estimated that a new shuttle craft would cost \$4.5 billion—more than double the price of the Challenger, which cost \$2.1 billion by the time it became operational in 1982. But officials at the Congressional Budget Office said that Americans might well have to accept "a slower rate of progress in all aspects of space policy" and forgo a program with four shuttle craft.

Some observers said that the congressional report signaled a revision of U.S. space policy which the Challenger disaster had accelerated. And that theory received partial confirmation last week when The New York Times published a memo from Graham to shuttle program chief Richard Truly stating that the agency would resume using expendable rockets to launch missions. In the past, agency officials have insisted that the shuttle was the best method for the launches. And as the \$2-million recovery operation continued off the Florida coast, NASA faced a much more difficult task: salvaging a world-leading space program from the wreckage of Challenger's last flight.

—JOHN BARBER in Florida with KATHLEEN ELLISON



USS *Preserver* getting underway, a \$5-million recovery program and a return to unmanned rockets

remnants of the seven astronauts who died when the space shuttle Challenger exploded. And the ship also brought back two empty pressure suits and in space walks and all four flight recorders from the doomed shuttle. Spokesmen for the U.S. National Aeronautics and Space Administration provided few details about efforts to recover the Challenger's crew cabin—which, on March 1, dived from the *Preserver* about 100 feet beneath the surface of the Atlantic and about 16 miles east of the launch site.

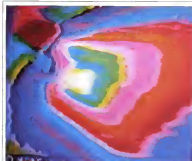
But relatives confirmed that NASA officials had then the remains were finally recovered were in pieces and decomposed. Said Carl McNair, father of Challenger physicist Ronald McNair: "We are going to have to go through the same thing we had a month ago with the national servers—only this time it will be a funeral."

While pathologists tried to identify the remains at Patrick Air Force Base in nearby Cocoa Beach, space agency spokesmen were more forthcoming about attempts to locate the shuttle's

stems earlier from the side of the booster seconds before the explosion.

Other events last week made it clear that the painstaking post-mortem of the disaster will not end with the burial of its victims. For one thing, building a replacement for Challenger and reissuing a full shuttle schedule will be staggeringly expensive. And a NASA announcement that the agency would resume using unmanned rockets—to compete with the European Space Agency for a \$1-billion yearly market in commercial space launches—further emphasized the uncertain future of the shuttle program.

Still, NASA officials, like the millions of observers who saw the Challenger's televised disintegration, were riveted by salvage operations, which involved 11 surface ships, two manned submarines and three robot submarines. And the discovery of the nearly intact cabin renewed speculation that the crew members might have survived the explosion only to asphyxiate in fumes or to perish when the cabin crashed into the



Computer-enhanced image: piercing the cloud of dust and gas around an icy core

## SCIENCE

# A celestial encounter

**A**s the spacecraft Giotto battled toward the core of Halley's comet last week, scientists at the European Space Agency's control centre in Darmstadt, West Germany, seemed to describe the extraordinary images flickering on their video screens. Some of them said that the pictures, which Giotto was transmitting to Earth every four seconds, made the comet look like a malformed potato. Others compared it to a peanut or a banana. The scientists will refine those descriptions as they study the mass of data that Giotto transmitted before a storm of cometary dust killed its signal 30 million miles away from Earth.

At the same time, computers will convert the crude video images into high-resolution photographs. But one thing is already clear: thanks to Giotto, the mysterious celestial traveller will never look the same again.

Giotto's mission was simple and daring: to pierce the cloud of dust and gas that surrounds the comet's icy core. It was a deliberately suicidal run that no scientists would destroy the \$200-million spacecraft and the equipment for 16 scientific experiments that it carried. And as Giotto approached the comet at 68 miles per second, it ran into what ESA spokesperson Peter Wenzel called "a wall of dust the size of grains of sand." But the spacecraft

arrived unscathed—which is as big as a compact automobile—kept transmitting data until it was 400 miles away from the comet's core, two seconds and about 100 miles short of its planned destination. In these final few seconds, the spacecraft, named after a 13th-century Italian painter, transmitted more information on the appearance and composition of a comet than Earth-bound observers had gained over thousands of years.

Giotto's kamikaze-style approach ended when it returned transmitting data from the other side of the comet, 25 minutes after its presumed destruction. And according to U.S. National Aeronautics and Space Administration officials, Bart Bok, the mission was "an absolute triumph of international cooperation." Giotto was guided in the final hours of its eight-month flight by information supplied by two Soviet spacecraft, Vega 1 and Vega 2, which accompanied the comet earlier this month. The Western Europeans and the Soviets have agreed to pool all their data in an international archive that should keep space scientists busy for decades—at least for another 16 years, when Halley's comet will swing back around the sun and yield more of its mysteries.

—JOHN HARRIS in Toronto

## HEALTH

# A possible AIDS cure

**T**he need in the offices and laboratories at Biotechnology Resource Co. was immediately epidemic. Into last week Officials of the North Carolina-based pharmaceutical firm said that they had taken a dramatic first step toward finding a drug to control the killer disease AIDS (Acquired Immune Deficiency Syndrome). At the same time, a doctor who has inspired teams of the potentially life-saving drug, stressed that the vaccine, not, undoubtedly (AIDS), still needed additional testing. But AIT has successfully retarded the growth of the AIDS virus in laboratory experiments. And there has only been one death among the 10 AIDS victims who have been receiving the drug since last July said Dr. Don Drenth. "It is a feeling of controlled optimism. We are hopeful—and concerned."

Meanwhile, Dr. Samuel Broder, the deputy program director at the National Cancer Institute in Bethesda, Md., stressed that AIT should not be seen as a cure for AIDS. Said Broder: "There is no harm whatever to use the term 'vaccine' now. This is a cautious first step." And the promising development in North Carolina was bolstered by alarming reports from public health officials in New York, Miami and San Francisco there has been an increase of up to 30 per cent in laboratory tests among those who have the highest risk of catching AIDS—homosexuals and drug addicts.

AIT was first discovered in 1973, but no one could find a use for the antibody substance. But the intense search for an AIDS cure led Biotechnology Resource researchers to re-examine the compound. And in February, 1985, laboratory experiments showed that AIT disrupted the reproductive process of the AIDS virus without blocking the host organism. Then, the urgency of finding an AIDS cure spurred an AIT research in less than six months researchers were conducting tests on human subjects—a process that normally takes 15 years. Scientists plan to administer the drug to 200 AIDS victims during a six-month trial in order to see whether it will control the disease. But until they have studied those results, researchers will not know if they have found a possible new weapon against the deadly disease or simply obtained another false hope.

—KEVIN SCANLON in Toronto

## MEDIA WATCH

By George Bain

**K**eep McCreath, CBC Radio's national news chief in Ottawa, reported from Brian Mulroney's postscript swing through the West that the Prime Minister was seeking to escape the Ottawa press corps in hopes of finding relief in the hands of a test-drive regional press. When I talked to McCreath later by phone, he added that the Prime Minister's reason for going outside Ottawa was that "he doesn't want the message blurred through as because he thinks he's getting a bad shake from us, so therefore if he takes it to the regions, he may get a better shake." He added, "I am not convinced that he did."

The idea of the Prime Minister fleeing the Ottawa media hounds is hardly enough held in the press gallery to represent the collective wisdom. It is not, therefore, to take so much particularly at McCreath to say that it is simultaneously self-justifying and underestimating. What it suggests is that the Prime Minister, in order to get away from those unfairly informed, peripatetic fellows (both sides) in the parliamentary press gallery, has chosen instead to propagandize the less perceptively informed in the hinterland.

These are three possibilities at least worth considering: that this analysis leaves out of account; that, the Mulroney government may not be wrong in believing that it has had a bad press campaign; and that the media, in eluding reporters so as not to antagonize, who have a professional fence to entertain, whose coverage at times has seemed to reflect not so much judgment as a settled hostility. Two of reporters and editors in the regions find themselves less content, that they are not attracted to the spaces of national politics or that they are powerless bookies. There, other reasons, even more compelling than a desire to get away from the fierce watchdogs of the public gaze in Ottawa, suit for Prime Minister, other cabinet ministers, leaders of the opposition and other parties considered to seek political space away from the capital.

Under the latter heading would come the fact that the House of Commons has been rendered almost irrelevant as a forum for debate on national issues—largely by the media, which do

not even it. Getting out of Ottawa is not necessarily an escape. The national media go along with the idea of the day-drive as supposed to issue-of-the-region-driven. The fact is that Mulroney has been quite available for screens with the national media. He's not evading the national media in any way like the way Trudeau did, where he'd justify in and out doors and totally ignore you. The national media, by constantly writing about how inferior the local reporters are and how this is why Mulroney is going to them, make the local news even less desirable. Looked for fear and determined we'll show this guy that we're just as tough as the earliest guys in Ottawa. And so what you get is a building up of animosity in advance. I think that sort of this talk about tactics, and how he's going to get around the national press, and so on, has created a kind of situation in which those regional people feel that they've got to be on the job like tigers all his time as they're not doing their jobs. And that to me is just foolish."

If that is a justifiable reading of events—I think so—there are interesting implications. Last July, Peter Desbordes, dean of the University of Western Ontario Graduate School of Journalism in London, cited as a column in *The Financial Post* some figures from an unpublished 1982 survey of 118 national journalists by Prof. Peter Nease of the same school. It showed a strong "margin swing" from the Conservatives—37 per cent felt themselves closest to the 406, 17 per cent to the Liberals, 11 per cent to the PCs. Forty-three per cent said that they belonged to the political centre, 35 per cent thought of themselves as being left of centre, four per cent said they were right of centre.

All that is free and probably unreliable. The Conservatives would be better off to accept it and get on with governing the country as best of trying to get it made than those loved in the press gallery. But if we say that this survey reflects reality, what is to be made, then, of the effort by national media people to portray any effort to spread of an unending discrepancy and to stimulate regional media to the same point of view by making those appear weak if they do not react similarly? Doesn't it smack a little of an effort to stamp a sort of national media thought on the country—to institutionalize pack journalism?

Mike Dwyer, of the Ottawa bureau of *The National*, on CBC-TV, is thoughtful in such matters. He says, "The national media write a story saying that Mulroney wants to talk to the regional media because he is afraid of us, which says that we are the only ones who really know what is going on. I



think there can be a lot of valid opinions for talking to the regional media, but I think that the issue of the day-drive as supposed to issue-of-the-region-driven. The fact is that Mulroney has been quite available for screens with the national media. He's not evading the national media in any way like the way Trudeau did, where he'd justify in and out doors and totally ignore you. The national media, by constantly writing about how inferior the local reporters are and how this is why Mulroney is going to them, make the local news even less desirable. Looked for fear and determined we'll show this guy that we're just as tough as the earliest guys in Ottawa. And so what you get is a building up of animosity in advance. I think that sort of this talk about tactics, and how he's going to get around the national press, and so on, has created a kind of situation in which those regional people feel that they've got to be on the job like tigers all his time as they're not doing their jobs. And that to me is just foolish."

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**A**ctress/naturalist **Mariel Hemingway**, 34, says that the name of the Manhattan hit, *Rain's Cold*, she comes with her husband of 13 months, **Stephen Gramer**, 38, comes from Gramer's nickname for his son Hemingway. "He didn't know who I was when we met. When he found out I was well-known, he started calling me Sam. I thought it meant he didn't like me." She says now that she enjoys the nickname. "When we go into a grocery store and he yells 'Sam!' nobody turns around. It's wonderful."



Hemingway: When he yells "Sam!" nobody turns around

**A**lright, there to actor **John Williams** could not even get an audition for *My American Cousin*—because of his good looks. But now the 35-year-old blue-eyed blond has won a best-actor (Geme nomination) for his role in Vancouver film-maker **Sandy Wilson's** nostalgia tribute to the 1960s *Slud Williams*. "Sandy wanted someone who was dark, skinny and woman-looking. She agreed to my audition to get the casting people off her back, then stuck me with the perkier girl she was auditioning." But "Sandy liked what I did, so she changed the physical references in the script."

**V**etarian actors **Lloyd Bochner**, 43, and **Leslie Melton**, 40, both star in the TV mini-series *Here to the Bone*, a Canadian-French-Yugoslavian epic page drama scheduled for cable TV next season. And both say they were attracted to the project because of its Canadian connection. *Sliven* grew up in Regina with brothers **Eric** (federal deputy prime minister) and **Gordon** (a retired businessman), and declared, "Whatever the country adds up to has

contributed to whatever I have done."

**E**dmonton-born actress **Catherine Mary Stewart**, 36, in Toronto to cohost the *Game Awards* show with **Leslie Melton**. *OWT* TV, March 30, says that she welcomed the chance to work in Canada. Send Los Angeles-based Stewart "I will consider myself a Canadian. I find myself getting a little homesick." But Stewart, who she "had a girl" playing the younger version of **Jean Collins** in character in the recent TV mini-series *Sliven*, added that the main reason she accepted the *Game* offer was because "I thought it was a prestigious thing to do. I couldn't refuse." She added, "It's like being asked to be a part of the Academy Awards."

Wilson (left), Bochner: a better industry relationship



**P**resident **Ronald Reagan's** daughter, **Patti Davis**, 33, says that in acquiring the status of her autobiographical novel, *Home Front*, which has caused a major political controversy in the United States. And she pre-

ferred to whatever I have done."



Stewart: homesick but having 'a gas'

for mayor of Cumbria-by-the-Sea, Calif., a village of 4,800 where *Reinhold* has lived for 14 years. He said he wants the \$300-a-month job because he is concerned about the "negative attitude" of the present local administration, which has just denied a businesswoman a permit to sell ice-cream cones. Added *Reinhold*: "The old British saying, 'It's not from the head,' is true."

—Ed by NANCY MEYER

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# One round in a cultural battle

After many delays, intense lobbying and a dispute that divided the federal cabinet, the Conservative government last week approved the controversial takeover of publisher Prentice-Hall Canada by the U.S. conglomerate Gulf + Western Industries (GWI). The sale was allowed because it had been arranged before new federal rules protecting publishing from foreign takeovers took effect

moved a major obstacle in the way of those Tory MPs who want to impress Washington with their willingness to open free trade talks. Most Canadian publishers said that they were relatively satisfied with the conditions of the deal. G+W's U.S. subsidiary Bantam & Schuster (B&S), G+W Canada and Prentice-Hall must remain separate operations in Canada in order to preserve jobs, but will market books by 19

the takeover later that month, G+W launched a fierce lobbying campaign to force Ottawa to exempt the sale from the guidelines because it had already taken place. Indeed, in October a memo from Allan Gotlieb, Canada's ambassador in Washington, to Stevens disclosed that a G+W lobbyist, Robert Strauss, had threatened "a scorched-earth" response if Ottawa did otherwise.

Finally, after numerous, sometimes heated, discussions, officials from G+W, Bantam and Stevens agreed to meet in Toronto last month. But one of the minister's worst nightmares in Ottawa prevented Masson's plan from landing. After seven hours in the plane—including five waiting for clearance on the ground—the trip was called off. Then, on Feb. 26 Masson and Stevens struck the deal in the industry minister's office in Ottawa during a conference call with G+W executives. Shortly before noon the Tary was issued the deal with proper haste.

Critics have argued that some aspects of the sale arrangement could enable G+W to evade the conditions set by Ottawa. Despite the fact that investment Canada went to extraordinary lengths to make the agreement airtight, some industry observers said there is no way of forcing the conglomerate to meet its obligations. Said one industry analyst, who asked not to be identified: "If G+W sticks to the deal in the next five years, it will be because they are honorable—not because they have to."

Washington is still concerned about Canada's protectionist publishing policy. Said Harvey Kato, U.S. assistant special trade representative: "This could remain a bone of contention." Meanwhile, most Canadian publishers said that although Masson's determination is impressive, they are not convinced that the budget-conscious, free trade Tories are determined to protect the cultural sector. But Masson says that the Conservative's automatic publishing policy, at least, is firmly intact. He pointed out that another G+W takeover last week, of GLO Publishers Ltd., a Canadian subsidiary of U.S. textbook manufacturer Silver Burdett, is already under review. Declared Masson: "We will not back down on that one."

—SHERIE ALEXANDER in Toronto with  
HELANI MACDONALD in Ottawa and  
IAN KESTER in Washington



Masson (left), Stevens: removing an obstacle on the way of free trade talks

last July. Communications Minister Marcel Masson, concerned because 80 per cent of book-sale revenues in Canada go to foreign-controlled publishers, had convinced cabinet members last summer to approve a policy requiring any foreign company acquiring publishing interests to surrender control to Canadians within two years. But before Christmas Masson and Industry Minister Sinclair Stevens decided that the policy could not apply retroactively to cover Prentice-Hall. Said Masson: "I think it was good as agreement as we could get, without having the new rules in effect." The sale leaves G+W as the largest presence in Canadian publishing, controlling four firms and a 35-per cent share of the educational textbook trade.

The transaction took place just six days before Prime Minister Brian Mulroney's Washington summit with President Ronald Reagan. It effectively re-

"presided" Canadian authors on world markets annually and use a Canadian-controlled company to distribute the more than \$80 million worth of books that it sells annually in Canada. As well, G+W will offer to sell 51 per cent of Ginx to Canadian interests within two years. Said Harold Roben, president-elect of the 108-member Association of Canadian Publishers: "We are pleasantly surprised that the government was able to strike such a deal."

The government first confronted the issue in December, 1984, when G+W bought Prentice-Hall Inc. and acquired its subsidiary, Prentice-Hall Canada. That transfer of corporate control required approval from the Foreign Investment Review Agency, Investment Canada's predecessor. Then, last May, Masson emerged from a cabinet meeting in Blue Corners, Que., with a tough new publishing policy. When some of his officials began reviewing

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## FILMS

# The leader of the pack

TORY MCTRAGUE

Directed by Jean-Claude Lord

As the opening credits for *Toby McTragoe* roll up the screen, a tiny bush plane floats above the snowbound mountains of northern Quebec. The line sky seems limitless, serene. Suddenly, the picture cuts to ground level and the screen is filled with a barking beaky dog whose strangely hypnotic eyes are the same electric blue as the sky. That startling juxtaposition of images leads a dramatic moment in *Toby McTragoe* that rarely flags. An all-Canadian family film that soars beyond the usual bland limitations of the genre, *Toby McTragoe* explores a troubled father-and-son relationship with sensitivity and candor. The film also contains enough hair-raising dogged scenes to turn viewers into aficionados of that little-known sport. Indeed, with its robust, romantic vision of life in the North, *Toby McTragoe* may become a minor Canadian classic.

The Toby of the title is a 10-year-old boy (Yvesnick Bessia) whose father, Tom (Winston Robert), runs a commercial bush plane out of the northern town of Silver Creek. Tom also carries out rescue sled dogs—a hobby so costly that he may be forced to give it up. Toby, a motherless youth plagued with bad judgment, makes several disastrous attempts to help his father. While exercising his father's dogs he

goes too fast on an awkward trail, killing the prized leader of the team. Shane and his father's angry disapproval drive him into the mountains, where an old Indian, Chief George Wild Dog (George Costello), offers comfort and the gift of a magic necklace. Later, when Toby's father breaks a leg in a plane crash, Toby takes his place in a dogged championship, competing for a cash prize that could save the family from bankruptcy.

The details could easily have become riddles with cliché, but writers Jeff Nagure and Dwyre McEwen, born down the main characters with subtlety, spreading maturity and foolishness in equal amounts between father and son. Bessia's Toby is appealingly well rounded, capable of acting cleverly one moment and displaying impetuous parental skills the next. Meanwhile, his boy romance with Berik (Stephanie Nuytens) has a lyrical poignancy that appears realistic.

Although the film is grounded in family conflict and youthful sensitivity, *Toby McTragoe* finally settles an almost magical realm. In Toby's cinematic sled race, his lead dog—loaned to him by the chief—appears to take flight. That moment of mysticism, joyful triumph crystallizes what is best about *Toby McTragoe*: it has that rare ability to unite adults and children in the enjoyment of a common pleasure.

—JOHN BENNETT

# Love among the bland

JUST BETWEEN FRIENDS

Directed by Allan Burns

Although their lives suffer from unbearable tedium, the characters in *Just Between Friends* remain surprisingly dull. Sandy Dawley (Christine Lahti), an ambitious but lonely television newscaster, has an affair with a married scientist, Chip Davis (Ted Danson). Meanwhile, at her sorority class, she befriends a shy housekeeper named Holly (Macy Tyler Moore) without realizing that she is Chip's wife. Then, Chip dies in a car accident. While cleaning out his office, Holly finds Sandy's picture and falls in love with her. The movie explores their relationship. To complicate matters further, Sandy discovers that she is pregnant with Chip's baby. Such contrived, melodramatic twists of plot make *Just Between Friends* little more than a soap opera pulled up for the big screen.

Many viewers may ask themselves how Chip, an uncharismatic loner, manages to inspire such strong feelings in women. His role is poorly written, a mere sketch. Like that of the other characters in the movie, and unfortunately, writer/director Allan Burns waits until the film's last half-hour to expose the tangle of feelings that ensue. The two women, Moore deftly delineates her character's emotional reticence and dependence, but Lahti's anger and frustration after her husband's death seem to be reflex rather than deeply felt reactions. She brings a great deal of conviction to the role—perhaps aware that the shallow script can bear. And her trademark newscaster's hold-over from her television characters, are jarring. The glowing Lahti lens better as Holly's free-spirited and overly intense opposite. The screen tries to dig under the character's facade for more richness, but, skimming over the unpleasant depths, the script deflates her.

The film's worst set of candy coating occurs near the end. Holly, being the fact that Sandy is about to give birth to her late husband's child, rediscovers love with Chip's friend Harry (Kevin Costner). *Just Between Friends* proceeds from there to one of the most extremely happy endings in recent memory. Manipulation and bland, the movie is better suited to television—but even the small screen deserves better.

—LAWRENCE PTOOLE



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## A suburban soap opera

THE DEEP END

By Jay Fielding  
(Doubleday, 312 pages, \$19.95)

Somewhere inside Jay Fielding lies a serious Canadian writer struggling to escape the gilded cage of her own fiction. Fielding, author of such best-selling books as *The Other Women* and *Kiss Me When Goodbye*, has tried to imprison herself in predictable plots involving adultery and child abduction that hardly improve her chances for freedom. But with her latest novel, *The Deep End*, she plunges beneath another typically superficial story line to reveal a surprising ripple of creativity.

Fielding divides her novel into two distinct parts which oddly parallel an author's own creative conflict between the allure of commercial success and a desire for literary authenticity. The main plot is slick psychodrama in the soap-opera tradition: housewife Jeanne Hunter, separated from her husband, becomes the target of abuse, threatening phone calls. Her mysterious ter-



Fielding: a writer in a gilded cage

moster turns out to be a young killer with a penchant for suburban housewives. Jeanne fights back and eventually pushes her assailant into the backyard pool. Emerging from the ordeal, she is able to resume her life of domestic bliss with her husband, who returns full of admiration for his newly confident wife.

But Fielding's subplot is much more compelling. It involves the relationship between Jeanne and her friend, Eve, a dynamic career woman who is rapidly declining into madness. Fielding has her sweet protagonist compete against the complex Eve in a downward spiral of dependency, jealousy and hatred. In the book's most convincing sequence, Jeanne is suddenly terrified when she hears a voice behind her that she takes to be the murderer's. She bravely turns to face not the killer but Eve, playing a viciously cruel joke on her friend. But Fielding backs away from further explorations of their relationship and, depriving her novel of an original edge, slips back instead into a comfortable soap-opera story. That she owns up to it with an inventive twist makes *The Deep End* briefly provocative. It also prevents hope that Fielding may someday free herself from the prison of formula fiction.

—IANNE BELLER

## Monster of the midway

DREAMLAND

By Garfield Reeves-Stevens  
(Dial Books, 320 pages, \$14.95)

One of the nine promotional commitments on the cover of the new Canadian paperback original debuts it as a "novel of high-tech horror." The claim is well-founded. Certainly, *Dreamland* is novel in the sense of being different—a rare Canadian venture into the horror form by Toronto writer Garfield Reeves-Stevens, author of the 1981 horror novel *Bloodshift*. And having a dream-powered computer as one of its hi-tech money principal components, the book delivers enough bits and bytes to satisfy the appetites of all but the most discerning, jaded horror junkies. Still, at least some adult readers would agree that *Dreamland* is horrible in ways that the author doubtless did not intend.

Reeves-Stevens presents *Dreamland* as the tale of an evil supernatural being—known as the "Presence"—which has lived in the Toronto area for centuries. Successive generations of an odd Dutch family have kept it alive, periodically releasing it to feed its blood-hungry souls. Its name, human

fear its next meal, the 60,000 people expected to go to Dreamland, a \$1.1-billion amusement park, on its first day of business. The park is fully automated, operated by a non-generation computer—also evil, depicted by the author, who is described by the publisher as "a longtime computer buff." The computer is called "DreamNet" and it coordinates everything from

**'A supernatural beast on one side. A murderous director of security on the other. And in between, a conspiracy.'**

thrill rides and conveyor belts to climate control and transit system. The Presence invades DreamNet's circuitry and begins to plot a series of electronically orchestrated catastrophes to provide a "horrific opening-day banquet for itself. DreamNet reacts: the evil bang's intrusion and tries to resist, but the Presence has superior strength and prevails after a strange battle

which rages through the computer's circuitry.

The book is overwrought and under-edited, chockin' on superfluous subplots and silly characters. They include an outrageous cartoon/plagiarist, a rock star obsessed by a fictional bear named Billy, a gay psychologist and a magazine reporter. The book has missed the mark on art. *Dreamland's* failure is a pity because it contains the elements of what might have been a solid and satisfying conventional thriller. The book features a clever plot to siphon \$100 million from a bank of money makers, and a tight time frame.

But given the manner that the book tries to exploit, *Dreamland* is so far from being frightening that it is laughable. While honest members of the park's management try to avert a disaster and the bank-windfall gleams proceed, the Presence engineers for periodic cracks, treating itself to several terror-stricken park employees. Even the author seems uncomfortable with all the activities. In one of his characteristic and unnecessary recapitulations, he writes "A supernatural beast on one side. A murderous director of security on the other. And somewhere in between, an unknown conspiracy." If only *Dreamland* were that simple.

—ROBERT WELLES

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## A medical crisis in a depressed region

The two deaths spawned a small Cape Breton community, and they have renewed concern about the quality of health care on the Nova Scotia island. On Dec. 3, 1983, two days after her family doctor removed her teeth and adenoids in a nearby hospital, six-year-old Diana Strickland of Sydney Mines died in Halifax, where she had been taken for emergency treatment. Less than two months later another Sydney Mines resident, 37-year-old Ann Duce, died after undergoing breast surgery in North Sydney's Northside General Hospital. A common factor in the cases: both patients had received inappropriate intravenous infusions of dextrose and water after surgery. That fact led the relatives to campaign for answers. Their efforts resulted in an inquiry into the deaths, and after a six-week investigation last fall provincial court Judge Kenneth Crowell issued two devastating reports early last month. His conclusions: starting supervisor Aurlia Jett and Dr. John Kirkpatrick, a physician who examined Strickland after her operation, were "culpably negligent" in the little girl's death, and the treatment of Duce by other hospital staff was "unprofessional."

The inquiry has renewed discussion of the health and treatment problems of an economically depressed region. For one thing, Cape Breton has a cancer rate one-third higher than the national average, but the island's 11 hospitals are not equipped to handle some complex problems, so residents with serious illnesses have to go to Halifax for treatment. Even though a 1989 provincial task force said the area needed a new hospital, Nova Scotia's government officials say that a regional hospital will not be built before 1992.

After suffering through 5,000 pages of testimony from 30 inquiry witnesses, Crowell found that Strickland died following cardiac arrest caused by a swelling of the brain which was produced by infusions of intravenous fluid. When the girl suffered mild seizures and convulsions after her tooth-extraction, both the attending doctor and the nursing supervisor on duty ignored a night nurse who repeatedly told them that the patient needed more medical attention. The next morning the girl went into cardiac arrest, prompting an emergency transfer to another Sydney hospital and later to the back of a Halifax hospital's

for children in Halifax, where she died. Crowell was unable to determine whether hospital staff negligence had caused Duce's death the day she underwent what should have been an uncomplicated mastectomy. But he criticized her surgeon, Dr. Stephen Ignace, for not noticing the woman's slow recovery after her operation—and for al-



The Stricklands: sudden death: an inquiry and renewed concern about health care

lowing her to receive large infusions of dextrose and water. Indeed, Dr. Gerald Melnick, the chief anesthesiologist at Toronto's Mount Sinai Hospital, testified that it has been medical practice for at least 15 years was to administer such infusions during and after surgery as the sole solution because they dilute the blood's sodium.

Apart from concerns over the adequacy of the health care they receive, there is ample evidence that Cape Bretoners are living in a fairly unhealthy environment. For one thing, provincial epidemiologist Pierre Lavigne has analyzed Statistics Canada data which show that Sydney women from 25 to 69 years of age are 125 percent more likely to die of stomach cancer than women living in other parts of Canada. And his figures show that the Cape Breton mortality rate for respiratory disease is 82 per cent above the national average. The suspected causes of these shocking death

rates have been the subject of local speculation for years. As a result, before Nova Scotia health minister Dr. Gerald Sheehy suggested no one but spring when he suggested that heavy smoking combined with the occupational hazards of working in the area's coal mines and steel mills was probably responsible for much of the

high rates of respiratory disease. As well, a federal-provincial study released in 1984 showed that air in residential areas derived from the provincially owned Sydney Steel Corp. plant often contained 10 times the levels of chemical compounds—some suspected of causing cancer—compared to samples taken upwind. A worldwide survey of cities that down the years for the past few years, but they reported last December, providing more than 90 jobs in a region with a 25-percent unemployment rate—facing its residents to choose between economic benefits and health risks. Meanwhile, Northside General Hospital has, for the most part, discontinued the controversial infusions in surgical situations, but there is an indication that Cape Breton is about to receive the massive injection of resources it needs to improve its health care system.

—PETER K. WAGNER in Sydney



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Scene from *The Big Red One* playing Scrabble and reclaiming the battlefield during the outbreak of 'a severe nuclear war'

## ENTERTAINMENT

### Spinning a spell of cartoon magic

The film's animated stars, a gap-toothed man and his cross-eyed wife, are decked in a game of Scrabble. They both have nauty habits. As they play, she removes her eyes and rattles them around in her hand; he stiffs up the furniture with a saw. Midway through the game, she goes upstairs to awaken the bathtub while he falls asleep in front of the TV. And neither of them hears the noise that interrupts the program to announce the outbreak of "a severe worldwide nuclear war." That scene is from *The Big Red One*, the car Canadian-made contender at next week's Oscar presentations. Produced by the National Film Board (NFB) and directed by Winnipeg's Richard Condit, *The Big Red One* is a little snippet by Hollywood standards—a 16-minute, \$186,000 cartoon. But it serves as the latest proof of Canada's prowess in animation of eight Oscars awarded for animation since 1977, Canada has won four. Bill Douglas Macdonald, executive producer of British animation for the NFB, "We have a tremendous pool of talented animators. Ani-

mation is a very Canadian thing." Canada earned its reputation as a world animation capital through the NFB, which has been nominated for 52 Oscars since it was founded in 1938—59 of them for animated shorts. But more recently, several private Canadian studios have had a major impact in the commercial domain of children's film as well as noted by Walt Disney's empire. *The Care Bears Movie*, a cartoon feature by Nelvana's Nelvana Ltd., was the top-grossing Canadian film last year, with a North American box office revenue of \$55 million, making it the most profitable non-Disney animated film in history. This week a sequel by Nelvana titled *Care Bears Movie II: A New Generation* opens in about 1,500 theatres across the continent.

Meanwhile, *The Narrows* to specific, created and produced by Ottawa's Evergreen Animation Productions for the CBC, have found an audience in 80 countries from Australia to Iran and in the United States the weekly magazine of the *Evergreen Forest* have become prime-time stars

of syndicated television. Despite rising costs and severe competition, Canadian-made animation has helped to reinvigorate an industry that was stalled in the stifled rhythms of Saturday-morning TV cartoons. Declared Michael Blish, one of Nelvana's three partners, "There has never been a more exciting time for animation."

But producing animation is a costly, intricate and precarious venture at the best of times. Although the NFB spends only about \$1 million a year producing animated shorts, commercial producers may gamble as much as \$5 million manufacturing a 5-1/2-length cartoon movie. And the chronic financing problems that afflict Canada's film industry are magnified in animation, which is more labor-intensive than live action. Said William Stevens Jr., chairman of Nelvana's main Canadian rival, Atlantic Film Arts: "The problem in our industry is that we are producing a very expensive product that cannot be supported by the Canadian market alone."

Still, Canada has a unique source of talent to fuel its industry. Of North

America's three animation schools, the model comprehensive one is at Toronto's Sheridan College. With 200 students enrolled in its three-year program, Sheridan produces about 40 trained animators annually. In Feb. 1985 graduates Don Minna was last year's animation Oscar for *Cherubs*, a humorous five-minute student film he made at Sheridan. "He was a terrible person," he said. "I just hoped to show it around and get a job." Minna, 36, works at Michael Mills Productions Inc. in Montreal, a commercial studio where he animates TV ads for everything from motor oil to ice-cream bars. He by Thomas Haller, who helped animate *The Bear* 1988 feature. Before Sherwood, Minna was a student from around the world.

The NFL has been an international force for animation for three decades. In an increasingly regulated industry, it offers animators an unusual degree of self-expression. British-born Ronan Macaulay, 42, who joined the NFL's staff in 1971, and it has a legendary reputation outside the country. "We grew up knowing about it," said the animator. "For us, the film based on *Aladdin*'s was. Indeed, one of the two animators competing with Richard Condit for the animation Oscar next week. Steven Allen Snowden, who recently moved to Montreal with his Canadian husband and is now making a film for the NFL. Snowden produced his Oscar entry when he was a student in London. Titled *Second Class Mail*, it is the best but explosively funny story of an elderly woman who enters an inflatable man by mail. Pursuing the theme of old-age romance with the NFL's support, Snowden, 35, is now making an animated love story about a gentleman infatuated with a woman living across the street. Modestly, Snowden describes it as "a silly story about this bloke who gets bare and goes through life and dies."

The NFL nurtures a wide variety of idiosyncratic styles. Currently, Vancouver's Ken MacKenzie is filming (using directly off a computer monitor) to create a robot character in an otherwise hand-drawn cartoon, while in St. John's Anne MacKenzie is animating (using with backlit colored sand) to make *Doc Uckles*, a story about a fisherman who swigs his net on a whale. In most cases, the NFL's animation shorts are hand-drawn by a single artist, who does all the drawings—as



Star of *The Raccoons*, the masked mammal of the *Evergreen Forest* series of U.S. television.

many as 1,000 for a 10-minute film. The same person might also write the script, produce the sound and edit the film. Said the NFL's John Wilden, a 1979 Oscar winner: "We don't have an assembly-line approach here."

By contrast, creating a cartoon feature for the commercial market requires about a year's work from an assembly line of up to 200 people. Even then, the animation quality is inferior to the television standards set by Disney. During the 1960s, Disney's Holly-

Condit working in *Aladdin*'s cave.



wood studio spent six years producing *Shogun*, a personal favorite that was released this month. But the Disney tradition of spending each season of film with 22 richly detailed drawings has become too expensive. For most studios, eight drawings per second, producing poor results, is now customary for so-called "flat" animation. Said Raccoons executive producer Sheldon Wolman: "Anyone trying to produce to 'Disney standards' today would lose money."

Even with lower standards, commercial animation is a risky business. In fact, Canada's largest animation studios—Toronto's Nelvana and Ottawa's Aftershock—film-Action—have both tumbled on the brink of financial ruin in recent years. Nelvana, which collapsed in 1980 when its *Rock 'n' Roll*—an animated rock 'n' roll series that took three years and almost \$8 million to make—failed to win theatrical distribution. And last October the production of an 11-part, 44-episode *Raccoons* series for the CBC stopped for two months after a bitter financial dispute erupted between the show's creative producers, Evergreen Raccoons Productions Inc., and Aftershock's animation studio.

Evergreen rebuffed the studio's cost efficiency, and Aftershock said that the producers had not been paying their bills. Aftershock chairman Stevens said: "We pulled the plug on the project because we were losing a lot of money." The studio finally resumed production after the Evergreen producers agreed to provide another \$250,000. Already aired on the CBC, the

first six episodes of the *Raccoons* series have won high ratings. Now, and as a consequence of continuing success, Evergreen and Aftershock are completing the remaining five episodes, scheduled to air on CBC next season.

Nelvana has chosen the safe option of becoming a subcontractor for local-side American properties. Leland, the U.S. creator of *Star Wars*, hired the Toronto firm to animate its *Ewok* and *Droids* series for Saturday-morn-

ing Christmas and a decidedly unexciting animated film on the battlefield for the federal defense department. Despite its diverse activities, Aftershock has still not scored a huge conceptual win/loss with an in-house production. And it has no share in the marketing of the *Raccoons* characters, which have spawned off some 25 licensed products ranging from pyjamas to rubber masks. Nor does Nelvana own the *Care Bears* movies, which originated



Score from *Care Bears* hit: aplac advertisements for stuffed animals.

ing in 1983. And Otis's American Groupings Corp. and Kinross Parkers Toys commissioned Nelvana to produce the two *Care Bears* movies. To create *Care Bears II*, Nelvana adopted a cost-cutting formula forced by the major American animation studios. It side-lined the media drawing and coloring to animators in Taiwan and Korea. But at Aftershock, Stevens says he is determined to keep his company's work in Canada, even if that occasionally involves hiring students slightly above the Ontario minimum wage of \$4 an hour. "How long will it be," he said, "before the animators enter our market and dump their animation as Condit?"

Stevens has a legacy to maintain. Founding Aftershock in 1974, he merged it with Condit's eldest film production company, Crawley Films, in 1982. Last year Aftershock produced a bitter-sweet Christmas story adapted from Canadian Lynne Johnston's syndicated comic strip, *For Digger or For Worm*. Aired last December it drew an impressive 25 million viewers on CTV. The studio has also animated *The Notorious B.I.G.* and *Humphreys* for CTV and the U.S. cable network HBO. Its Office 10 current projects include a half-hour cartoon with music from the rock group Rush, a *Saber the Alchemist* special for release on CTV

to epic advertisements for a \$500-a-day toy-war stuffed-animal empire.

Merchandise has become a controlling factor in big-budget animation. *Care Bears II* is already designed to suit a whole new generation of toys, *Care Bears*, which are just younger versions of the original characters. The film, as merchandise-savvy as its predecessor, conjures the happy childhood of the *Care Bears*, which revert among the clouds in the raincoat-clad Kingdom of Caring. Meanwhile, spreading hatred among the mortals below is a sinister demon named Dark Heart, who can transform himself into a variety of vicious red-skinned animals. But in his heart of hearts, Dark Heart is just a naughty boy in a suit-jogging suit, and at the end of the film even he joins the forces of sweetness and light.

Canadian animation often provides a soft-edged alternative to the raucous violence that pervades American TV cartoons. In stark contrast to the brutal heroics of *Monsters of the Universe*, the *Raccoons* are peaceful denizens of the Evergreen Forest, residing the growing capitalism of awkward school-children Cyril Sorensen III, with his lonely Canadian charm, the *Raccoons* has penetrated the U.S. market—and a measure of its quality is that it became the first non-Disney animation to appear

on the U.S. wide Disney Channel. Yet Canada's most distinctive animation is aimed at home. The NFL's work occupies a unique perspective, often marked by a bleak sense of humor. And no joke is blander than nuclear war. In fact, the first NFL film to win an animation Oscar was Norman McLaren's *Neighbours*; the Condit's *Big Bear*, it portrayed a domestic dispute ending in atomic attack.

They said soft-spoken, Condit is casual about his Oscar nomination. "I have talked to other animators who have won, and they say it's not a big event," he said. In any case, *The Big Bear* has already won the International Film Critics Prize at animation's most significant annual festival in Annecy, France. And it received the Hirokuni Award at Japan's Hiroshima Festival—recognition for its very comment on the atomic nightmare.

The Canadian character seems well-suited for animators. "Canadians are a restrained people," said the NFL's Wilden. "And animators are actors who are too shy to go out onstage. We act on paper." Over the years their activities have become bolder. And as television memorates new generations of children with its Saturday morning rituals of cartoon violence, at least some Canadian artists are working to cast gentler spells with animation's magic.

—BRAND T. JOHNSON with DOUGLAS SMITH in Winnipeg

#### MACLEAN'S BEST-SELLER LIST

##### Fiction

- 1 *The Name of the Game*, Ludlum (2)
- 2 *Like a Horse with Blinders*, Amis (1)
- 3 *The Month of Swine*, Amis (2)
- 4 *The Handmaid's Tale*, Atwood (1)
- 5 *What's Bred in the Bone*, Jensen (2)
- 6 *Texas, Manhunter* (3)
- 7 *Copage*, Chandler (2)
- 8 *Copy Rights*, Underhill (3)
- 9 *Serrets*, Best (1)
- 10 *Sons of the Desert*, Freeman

##### Nonfiction

- 1 *Straight from the Heart*, Galt (1)
- 2 *Fit for Life*, Diamond and Diamond (2)
- 3 *How to Paralyze*, Jennings (2)
- 4 *Company of Adventurers*, Newman (3)
- 5 *Incense*, Incense with Nease (3)
- 6 *Callanetics*, Pincus with Pincus (3)
- 7 *The Sorcerer and the Rainbow*, Jones (1)
- 8 *Strangers in the House*, Galt (1)
- 9 *As Time Goes By*, The Life of Ishtar, Newman, Lowrey (3)
- 10 *Dancing in the Light*, MacLennan (2)

(1) Fiction; last week

# 'And touched the face of God'

By Allan Fotheringham

Faithful Reader is the salvation of the editorials, his assistance, his good, his rag Faithful Reader is loyal, loving, demanding, critical, careful, caring. It is not mere flattery, or grandiose ego, or the need for Goons for the children that keeps a relevant going. It is Faithful Reader out there in the vast, eager to help, swift to lend support, troops, resources, who keep the machine rolling.

The troops in the trenches were swift to act after a column here on the explosion of the space shuttle. I had said that the poem quoted by President Reagan—how "an American dream"—was the only poem John Gillespie Magee Jr. was ever known to have written, and we were taught in school Faithful Reader, but as the trail, have questioned that. The extraordinary interest in the original column merits a follow-up, so the story is interesting.

Magee's mother, Faith Backhouse, went from England to China as a missionary in 1915. There she met and married an American Episcopalian, Rev. John Magee. Son John, eldest of four boys, was born in Shanghai in 1922. He showed exceptional intelligence, along with his parents' adventurous spirit, and so after three years of school in Shanghai was sent in 1931 to St. Clare boarding school at Walden, Kent, in Britain. His teachers were aware of "a soaring mind, always alert at the start." He was writing poetry at age 12.

When he was 13, the famous "gold poet" was moved to the famous Rugby public school (i.e. the private school where the game was invented in 1883). He was taken under the wing of the headmaster, Hugh Lyon, a poet of some distinction himself. In his last years at Rugby, he turned toward poetry and began to doubt the conventional religious taught him by his parents. He wrote a distribute against society, *Down New World*, 10 pages in blank verse for which he won the Rugby Poetry Prize.

Allan Fotheringham is a columnist for *Canadian News*.

at age 16. It had been won 26 years previously by his uncle, Robert Brooke, another poet who died too young, in the First World War. Brooke's father was a master at Rugby.

While Magee's father remained in China, the young man with so much promise was persuaded, against his wishes, to go to Anna School, near Hartford, Conn., in preparation for Yale, from which his father had graduated. He found it hard to fit in with his chosen English masterpieces—and it was hard to be accepted, since he could quote Plato and Aristotle and easily

son of a church in Washington.

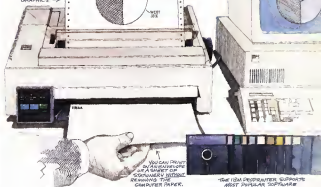
He was at the Elementary Flying Training School at St. Catharines, Ont., where he distinguished himself by scoring in just six hours. But he still wondered whether a Christian could ever take his enemy. "The afraid if I don't have him, that his beliefs will get me before mine get him." He sailed from Halifax in July. By September he was flying Spitfires with a lighter squadron at Duxy, Lincolnshire. In the same month he wrote *High Flight*. By mid-October he had been on operations intercepting bombers over the North Sea and Holland. He died, not colliding with a German enemy, but in a mid-air collision, on Dec. 11, 1941—three days after the Ansonia where he lived so briefly finally went to war.

He is buried in the village cemetery at Scepwell in Lincolnshire, close to where he fell alongside the graves of some of his friends—and an enemy bomber never shot down close by. On the day he died the New York Times Telegram reprinted *High Flight* on its front page, along with a lead obituary, occupying lines to Robert Brooke.

The secret does not appear in Bartlett's *Quotations or The Reader's Encyclopedia* list, as one Faithful Reader points out, may be more familiar to more North Americans than most of Shakespeare. It appears in numerous air training schools and flying museums, has been set to music and used as a closing theme for air stations—and is even used as a handbook to nervous airline passengers.

Had he lived, he might have been recognized as a major poet of the Second World War, just as the First World War produced Siegfried Sassoon, Robert Graves, and Wilfred Owen, the aviator poet who after being wounded returned to action and was killed in the final week of that shocking conflict. The headstone of the grave of John Gillespie Magee bears the last and best line of *High Flight*, these quoted by Hughes: "Oh I have slipped the surly bonds of earth—put on my head and touched the face of God." He was 19.

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